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## Credit Policy | Acceptable and Excluded Purposes

	<b>What</b> Certain situations are better suited to a loan than others. Below we've outline what is considered <b>acceptable</b> versus <b>excluded</b> (unacceptable) purposes for a loan.
	<b>Why</b> To manage expectation and avoid disappointment, it's important we ensure we provide customers with clarity around <b>what is</b> and <b>what isn't</b> considered an acceptable purpose for a loan.
	<b>How</b> Residential land purchase, home construction, renovation or maintenance are acceptable providing they adhere with these restrictions and exclusions: <div> <h3>ACCEPTABLE PURPOSES</h3> <ul style="list-style-type: none"> <li>▶ <b>Takeover</b> of an existing loan provided the original loan meets acceptable purpose criteria  <i><b>Note:</b> The maximum LVR (including capitalisation of LMI) for customers applying to refinance their existing borrowings with an OFI is 90%.</i></li> <li>▶ <b>Transfer of the existing debt and substitution of security</b> (See: Loan Portability)</li> <li>▶ Loans to purchase <b>transportable/relocatable homes or mobile residential homes.</b></li> <li>▶ <b>Applications for "Personal Investment"</b> (excluding cryptocurrency or digital assets)</li> <li>▶ when not reliant on the proposed investment asset for servicing or security and there are no known payment obligations (e.g., Derivative contracts, partly paid shares, instalment warrants).</li> <li>▶ for new and existing customers the maximum LVR (including capitalisation of LMI) is 80% and the loan purpose is a 'personal investment'</li> </ul> <ul style="list-style-type: none"> <li>▶ Loans for up to <b>four dwellings within one development</b></li> <li>▶ Home Renovation or maintenance costs.</li> <li>▶ <b>Investments in commercial property or other business ventures</b> are restricted to the purchase of publicly traded debt or equity investments</li> <li>▶ see <b>Off the Plan</b></li> </ul> </div> <hr/> <h3>LOAN PURPOSES THAT INCLUDE CASHOUT/EQUITY RELEASE</h3> <p>Where the loan purpose is for cash out / equity release, verification of the loan purpose may be required.</p> <p>You do not need to provide evidence for the use of funds where:</p> <ul style="list-style-type: none"> <li>▶ Cash out / Equity release amount is \$1M or less and the LVR is 80% or less</li> <li>▶ Cash out / Equity release amount is \$300,000 or less and the LVR is greater than 80%</li> </ul> <p><i>Note - The LVR includes the capitalisation of LMI</i></p> <p>You must provide evidence for the use of funds where:</p> <ul style="list-style-type: none"> <li>▶ Cash out / Equity release amount is more than \$1M and the LVR is 80% or less or</li> <li>▶ Cash out / Equity release amount is more than \$300,000 and the LVR is greater than 80%</li> </ul> <p><i>Note - The LVR includes the capitalisation of LMI</i></p> <p>If evidence is required but your customer is unable to provide evidence, ensure you provide additional comments and mitigants. Credit will assess based on the information provided. If Credit requires additional information to verify the purpose of the cash out / equity release, they will return the application to you with approval conditions.</p> <p>For all applications with cash out / equity release:</p> <ul style="list-style-type: none"> <li>▶ Record detailed comments as to the amount and reason for the cash out / equity release (purpose of the funds), and how the reason for the cash out / equity release meets your customers' objectives, financial position and needs; <b>and</b></li> <li>▶ Where the customer has their own business or company (regardless of if funds from the business / company are being used to service the loan), confirm the business / company is trading profitably and there is no evidence of any financial distress or hardship within the business.</li> </ul> <p>Cash out applications are <b>not</b> acceptable when:</p> <ul style="list-style-type: none"> <li>▶ There is any indication of fraud / financial hardship or financial abuse (including problem gambling)</li> <li>▶ The purpose of the funds is for extensive renovations which involve some form of structural change to the external walls of property</li> </ul>

which the bank holds as security and is subject to council approval, or requires an As if complete valuation to support the loan - see

[Building Construction Loan](#)

- ▶ The purpose of the funds is for business purposes.
- ▶ The purpose of the cash out is for cryptocurrency or digital assets

Please see the following examples of evidence required based on loan purpose. The examples may be physical documents or comments based on existing assets already held (note that this is a guide only):

Loan Purpose	Examples of Evidence
Personal Investment (share purchase)	<p>Comments could include:</p> <ul style="list-style-type: none"> <li>▶ What is the equity in the home vs the required sum? Will they be using all of the equity?</li> <li>▶ Does the reason for cash out / equity release suit the customer/s profile? e.g. does the customer have an existing share portfolio and/or are they actively trading in shares.</li> <li>▶ Does the reason for cash out / equity release seem realistic? e.g. does the customer want to invest \$800,000 in shares but has never traded before.</li> </ul> <p>Physical evidence could include:</p> <ul style="list-style-type: none"> <li>▶ Recommendation provided by Financial Advisor, or</li> <li>▶ Letter from customer detailing shares they are looking to purchase and confirming they understand the risks associated with this strategy.</li> <li>▶ Statement on current share portfolio</li> </ul>
Deposit on Property / Purchase of Property	<p>Comments could include:</p> <ul style="list-style-type: none"> <li>▶ What is the equity in the home vs the required sum? Will they be using all of the equity?</li> <li>▶ When is the customer intending to purchase a property and are we taking out a Home Seeker application?</li> <li>▶ Detailed list of use of funds.</li> </ul> <p>Physical Evidence could include:</p> <ul style="list-style-type: none"> <li>▶ Letter from applicants confirming that they intend to purchase property</li> <li>▶ Contract of Sale</li> </ul>
Renovations/Home Improvements	<p>Comments could include:</p> <ul style="list-style-type: none"> <li>▶ What is the equity in the home vs the required sum? Will they be using all of the equity?</li> <li>▶ Do the renovations/home improvements seem large compared to the value of the house – this may indicate these are structural changes and should not be done as cash out/equity release</li> </ul> <p>Physical evidence could include:</p> <ul style="list-style-type: none"> <li>▶ Copy of contract or quotes for works to be undertaken; or</li> <li>▶ Letter from customer with a detailed list of estimated expenses.</li> </ul>
Personal Use	<p>Comments could include:</p> <ul style="list-style-type: none"> <li>▶ What is the equity in the home vs the required sum? Will they be using all of the equity?</li> <li>▶ How much longer is the customer intending to work and what is their intentions to pay out this loan post retirement? (Retirement Rule Conversation)</li> <li>▶ Detailed list of use of funds.</li> </ul> <p>Physical Evidence could include:</p> <ul style="list-style-type: none"> <li>▶ Letter from customer with a detailed list of use of funds</li> </ul>
Motor Vehicle Motor Cycle Boat, Caravan or Trailer Travel and Holiday Other	<p>Comments could include:</p> <ul style="list-style-type: none"> <li>▶ • What is the equity in the home vs the required sum? Will they be using all of the equity?</li> <li>▶ When is the customer intending to purchase the goods?</li> </ul> <p>Physical Evidence could include:</p> <ul style="list-style-type: none"> <li>▶ Copy of Sales/purchase Invoice</li> <li>▶ Statutory Declaration from applicants to confirm intention to purchase.</li> </ul>

#### PRIMARY USE

You must understand the primary purpose of the loan funds, to determine if the customer's application should be a Home Loan or

Investment Home Loan. If the proposed loan has multiple purposes, the primary purpose is one with the greatest dollar value.

- ▶ **Multi-Purpose Securities:** If the proposed loan is to purchase an Owner Occupied house and a granny flat to be rented out, you must select **Home Loan** in the application as the primary use of the loan funds is personal purposes.
- ▶ **Impact of Split Purpose Loans:** Customers should seek independent tax advice on the structure of the as there may be benefits in splitting loan purposes into separate facilities for tax purposes.

## PROPERTY USE

The security property of the loan may be different to the loan type. e.g. an Owner Occupied security property with an Investment Home Loan with the loan purpose of personal investment. For a property use to be defined as Owner Occupied the customer must:

- ▶ Intend to reside in the property on a permanent or periodic basis.
- ▶ Not claim any rental income from the property.
- ▶ Not claim tax deductibility or negative gearing.

If the borrower can't confirm the above for the property, it's not an Owner Occupied property and is classified as an Investment property.

Note: Where the property purpose changes, e.g. the customer's existing Owner Occupied property will now be used for investment purposes, the Home Loan needs to be updated to the correct loan type Investment Home Loan.

This can be completed:

- ▶ At the customer's request.
- ▶ When applying for additional loan funds (full application or Top Up).

## PROPERTIES WITH EXISTING TENANCY LEASE AGREEMENT

You can originate a new loan application as owner occupied when your customer is purchasing a property as their principal place of residence but cannot live in it immediately as it has a tenancy lease expiring within 6 months of settlement.

### Eligibility Criteria

1. Customer's intent is to move into the property as their principal place of residence immediately after tenancy ends
2. Contract of Sale shows tenancy will expire within 6 months of settlement
3. No rental income or negative gearing will be used for servicing of the owner occupied home loan application.
4. Customer will have sufficient funds to finance rent/board expenses during this period when they are unable to move into the property. **Note** – You can use the rental income for the period the property is tenanted to calculate the customers Net Cash position

Further considerations Provide sufficient commentary regarding the customers scenario for assessment referencing the above eligibility criteria

- ▶ If you are using rental income for the period the property is tenanted to calculate the customers Net Cash Position then you must include this evidence e.g. an email from the real estate agent

## EXCLUDED PURPOSES

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| <ul style="list-style-type: none"> <li>▶ <b>Cryptocurrency or digital assets</b></li> <li>▶ <b>Business purposes</b> other than investments of a personal nature which aren't a primary source of income</li> <li>▶ <b>Purchase of Specialist Disability Accommodation</b> eg National Disability Insurance Scheme (NDIS) properties</li> <li>▶ <b>Construction loans</b> on an owner builder basis. See <a href="#">Construction loan policy</a></li> <li>▶ <b>Building/Construction loans</b> are excluded on Fixed Rate, 1 Year Guaranteed Rate, No Fee Variable Rate, 1 Year Discounted Variable Rate, Viridian Line of Credit and Equity Unlock Loan for Seniors</li> <li>▶ <b>Property development</b> where the intention is to develop and sell not build, rent and hold.</li> <li>▶ <b>Dwellings for immediate sale</b> via a terms contract.</li> <li>▶ <b>Loans more than six dwellings</b> in one development regardless of percentage of total development.</li> <li>▶ <b>Loans for five or six dwellings in one development</b>, which represent more than 25% of the total development (dwellings can be on the one title or separate titles).</li> </ul> | <ul style="list-style-type: none"> <li>▶ <b>More than one residential investment property</b> (includes vacant land the borrower intends to build a residential rental property on within 5 years) where</li> <li>▶ the (individual) loan value is <b>\$5m or more</b></li> <li>AND</li> <li>▶ <b>borrowers are individuals</b></li> <li>AND</li> <li>▶ the purpose is for <b>purchase, improvements or refinance</b></li> </ul> <p><b>Note:</b> If a broker isn't accredited to write a commercial loan, they need to split the loan into separate loans valued at &lt;\$5m. If the customer needs a single loan then just refer them to a commercially accredited broker.</p> |
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