MyState Limited

Mortgage Lending Procedure

BROKER VERSION 1.0a

(Effective date 1st July 2026)

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1. Principles		This Procedure supports the MyState Limited Mortgage Lending Standard and is applicable to MyState Bank (MSB) and Auswide Bank (AWB). Below is an excerpt from the Mortgage Lending Standard to re-emphasise our commitment to Responsible Lending: *MSB and AWB are committed to* • *Lending in a responsible manner in compliance with the legislation and intent of Responsible Lending* • *Adhering to a strict, detailed and sensible lending process which includes the use of credit scoring, affordability verification, Equifax checks and the use of Comprehensive Credit Reporting where available to make full assessment of a person's capacity to repay, and ensure compliance with other responsible lending legislation* • *Allocating Delegated Lending Authorities (DLA's) based on skills and experience* • *Helping our customers stay informed by providing them with the information they need to be confident when making financial decisions* • *Under the AML/CTF Act, MSB and AWB will ensure it meets its obligations based on the assessment of risk on whether providing finance to a customer may facilitate money laundering or terrorism financing;* • *Under the Privacy Act, MSB and AWB will not collect personal information (other than sensitive information) unless the information is reasonably necessary for use in the assessment of provision of finance; and* • *Under the AML/CTF Act, MSB and AWB will not collect personal information unless the information is reasonably necessary for us in the assessment of provision of finance* • *MSB and AWB will ensure we handle all personal information collected in line with our obligations under the Privacy Act*

2. Related Regulation		MSB and AWB adhere to a number of regulations within the mortgage lending process. The following regulations are referenced in the mortgage lending process: • Anti-Money Laundering/Counter Terrorism Financing Act (AML/CTF) 2006 • The Australian Consumer Law and The ASIC Act 2001 • Financial Services Reform Act (FSRA) • National Consumer Credit Protection Act (Cwth) 2009 (NCCP) • Privacy Act • AUSTRAC • Banking Code of Practice • Regulatory Guide RG209 – Responsible Lending • Prudential Standard APS 220 Credit Quality • Prudential Practice Guide APG 223 Residential Mortgage Lending
3. Loan Assessment	3.1 General Requirements	In the assessment of a loan application, be it for a new loan or an increase in existing facilities, the assessment will be undertaken in a diligent and prudent manner giving consideration to appropriate regulatory guidelines, including responsible lending requirements. Consideration must be given to numerous aspects in the determination as to whether the request should be approved by MSB or AWB. If MSB or AWB approve the loan, and it is regulated under the National Consumer Credit Protection Act 2009, MSB or AWB will let the borrower know that they can obtain our assessment about whether it is not unsuitable for them. If there is a guarantor to the loan MSB or AWB will let the guarantor know that they can also request a copy of the assessment above free of charge.
	3.2 Responsibilities in Loan Assessment	It is of paramount importance to apply the intent of the Principle of Responsible Lending. Failure to do so and providing applicants with debt that is unaffordable or unsuitable is unconscionable lending.

		Where an applicant/s balance sheet does not align with their overall situation or disclosed liabilities, the lending officer should make reasonable enquiries and obtain evidence of ownership of any significant assets detailed in the Statement of Position. For example, superannuation statements to prove balance of super held, copy of rates notice to prove ownership of any property held etc. In terms of the requirement, a "significant asset" is considered any single asset or group of assets that the assessing officer considers unusual that the applicant would hold if there is no corresponding debt. It is the responsibility of the broker to ensure: • Financial information obtained is correct and accurately reflects the situation of the clients capacity to meet the requirements of any additional indebtedness in line with the requirements of responsible lending • All material risks have been identified and addressed • Customer financial information has been obtained in line with the Privacy Act and Internal procedures • Verify all documentation is true and accurate and not falsified • Product features/parameters, including pricing is appropriate • Proposal content is accurate and static data is accurately recorded in the application • Exit strategies and Interest Only rationales must be defined by the borrower themselves and not advocated by a lender or 3rd party. This is to ensure that the borrowers understand their responsibilities and acceptance of the strategy and that it suits their future objectives. **In assessing any loan, MyState or Auswide can request for addition information over and above what is stated in this document.**
	3.3 Source of Truth	Loan applications can be received into the business and subsequently assessed and processed by a number of means, including via Next Gen, paper based and direct into LendFast. It is imperative that a consistent and reliable source of truth is established. The source of truth should provide an accurate reflection of any source document that underpins the purpose of the application. The determination for the source of truth as to the purpose is:

		• Where the application was originated on the LendFast Platform the source of truth is the applicable purpose as per the drop down box within the Loan Information / Product Selection screen;(Radio Button) • Where the application was not originated on the LendFast Platform at any stage (i.e. what is known as a manual application), the source of truth is to be detailed within the assessing officer's template notes. This assessment is based on the assessing officer's review of the applicable prevailing application documents in making the determination.
	3.4 Unacceptable Purpose	The following are unacceptable purposes for Consumer Lending: • Development construction – more than two dwellings constructed on the same parcel of land. • Funding of business related debt or working capital requirements • Refinance of business debt. May be considered on a case by case basis if the business is no longer operating and clients earn PAYG. • Refinance of taxation debt • Refinancing of unpaid defaults or court judgements • Payment of fines • Funds for gambling or speculative purposes • Funds for any illegal purpose/Misconduct
4. Types of Mortgage Loans		MyState and Auswide Banks offer residentially secured mortgages for both owner occupied and investment purposes. These are all closed end loans with a fixed amortization schedule. No balloon repayments are allowed as part of this product construct. The products allow top-ups to existing mortgage loans and also redraws. The types of Loans are: • Owner Occupied Loan • Residentially secured Investment Loan

		• Construction Loan (refer section 15)
	4.1 Loan Repayment Terms	Maximum loan term for a residentially secured loan is 30 years. Loans may be approved on either a principal and interest or an interest only basis. Lower loan terms may be applied from time to time to reduce the overall risk associated with a loan. Internal refinance enabling the loan term to return to the maximum 30 years is permitted, contingent on full assessment under current guidelines.
	4.2 Interest Only Loans	Loans may be approved on an interest only basis. Brokers should enquire as to the reason for the interest only request, and this must be recorded in the supporting loan notes to ensure compliance with responsible lending. Suitable enquiries must take place to ensure there is a sound economic basis for interest only payments for owner occupied loans. A borrowers' inability to afford repayments on a principal and interest basis is not an acceptable reason to grant such a facility.
	4.3 Approval period	Loan approvals are valid for a maximum of 120 days from the date the application is received by MyState or Auswide. The signed "Offer and Loan Contract" must be returned and received by MyState or Auswide within this period. This is to ensure that our assessment and verification is "reasonably current and likely to reflect the consumer's financial situation, requirements and objectives at the time the credit product or credit limit increase is entered". Loan Contract documentation must be issued a minimum of 14 days prior to expiry of this period to ensure sufficient time for their return, otherwise fresh verification will be required (i.e. confirmation of any change to financial position, updated income documentation, signed privacy consent and a new credit check). Loans must be funded within 90 days of expiry of the 120 day period following the date the application is received by MyState or Auswide (180 days for construction loans).

		Pre approvals are valid for 90 days, from the date the application is received by MyState or Auswide. After expiry of the 90 days, fresh verification and assessment will be required.
5. Documentary Requirement		All applications need to have the following documentation with references to Know Your Customer and Responsible Lending requirements • Signed application and privacy forms from all parties • Verification of ID from all parties as required under AUSTRAC – Refer Appendix C • Funds to Complete (including First Home Owners Grant Application (if applicable) • Employment and Income • Living Expenses • Loan Commitments • Servicing Assessment (including Manual Servicing Calculator) • Valuations • Cash Out Requirements Should any doubt exist regarding the accuracy and the integrity of the data provided, further information is to be requested by the assessing/approving officer
	5.1 Checklists	Brokers lodging applications with MyState or Auswide are also required to complete specific checklists to assist with the assessment process. These include: • Broker Submission Checklist confirming correct documentation provided • Manual Servicing Calculator in Excel format

6. Funds to Complete

Source of funds to complete are to be verified and evidenced as per table below. If there appears to be doubt over the source of funds further investigation is to be undertaken by the assessing officer.

Type of Savings	LVR	Requirement
Savings	<=80%	Details of the borrower's savings contribution must be documented in the file notes. *Funds held in shares, cryptocurrency or other volatile assets must be liquidated prior to unconditional approval. Evidence that the required funds are held in a bank savings account must be provided before unconditional approval is granted.* Where the contribution does not reasonably align with the borrower's life stage, verification of funds held must be provided, as outlined below for loans with 80–90% LVR.
Savings	>80% (or LMI required) to <90%	MyState and Auswide require supporting evidence of sufficient funds to complete the purchase of the property. This is to take the form of the most recent bank transaction statement or bank statement of account balance confirming the necessary funds are beneficially owned by the borrower. Note that only one statement is required unless the funds are held in multiple accounts and then the most recent statement from each account sufficient to total the necessary funds to complete are to be obtained.

		Genuine Savings	>90% and Australian Government 5% Deposit Scheme loans	Australian Government 5% Deposit Scheme loans require minimum 5% genuine savings for the General Stream, or 2% genuine savings for the Single Parent Scheme. Minimum of 5% genuine savings is required for all other loans over 90% LVR. The most recent 3 months bank transaction statement (including running balance) is to be provided confirming the necessary funds are beneficially owned by the borrower. Where a deposit has been paid for purchase or construction, statements are required to evidence the source of these funds and to confirm that they were beneficially held by the applicants prior to being paid. MSB and AWB will not accept any loan with an LVR over 90% with non-genuine savings. This includes where the LMI premium is capitalised. ** See 6.1 for full details on genuine savings
		Non Genuine Savings		Source of funds to be investigated. If funds are borrowed from a third party, terms of repayment are to be included in commitments.
		Collateral security/ equity		Considered genuine savings
		Equity from sale of existing property		Considered genuine savings. Asset and liability must be listed in statement of position with liability shown as being paid out from another source.

		Gifted funds (immediate family only)		Statutory Declaration to be obtained confirming that funds are a gift. Evidence that the amount pledged has been received by the borrower must be held on file for all loans where LVR exceeds 80%, LMI cover is required and/or gift is sourced from overseas. *immediate family includes: Spouse, de facto partner, child, parent, grandparent, immediate aunt or uncle (brother/sister of parents), cousin, grandchild or sibling of an applicant; or a child, parent, grandparent, immediate aunt or uncle (brother/sister of parents), first cousin, grandchild or sibling of an applicant's spouse or de facto partner. It includes step-relations (e.g. step-parents and step-children) and adoptive relations.
		Cocktail Loans		Cocktail Loans can be defined as a combination of a mortgage backed loan and a Personal Loan of any amount, where the funds from Personal Loan are being used to fund a shortfall, or a part thereof, of the purchase price of the property such as the deposit and/or associated purchasing costs. **Cocktail loans are not allowed by MyState or Auswide Bank** Any exception to the above should be discussed with your BRM who will need to obtain credit approval.
	6.1 Genuine Savings	Genuine savings is defined as a demonstrable savings pattern established over a minimum period of 3 months in the name of at least one borrower prior to the loan application being received. Genuine savings can be from any of the following sources: • Funds held or accumulated in savings accounts for three months or more • First Home Saver Account or First Home Super Saver Scheme (initiative by the Australian Government) • Equity in existing residential property or funds from sale of residential property • Term deposits held for three months or more • Shares held for no less than the last three months			

		• Accelerated loan repayments – where savings have been sacrificed by making accelerated loan repayments over the last three months, the amount of the excess repayments, can be accepted in lieu of genuine savings. The following are not acceptable forms of genuine savings: • Gifts or inheritance (unless held for more than 3 months) • Proposed Savings Plans or Rental Purchase Plans of any kind • Sale of assets (other than real estate) for example, motor vehicles • FHOG • Funds held in company/business accounts • Builder's or vendor's rebate/incentive. Under certain circumstances MSB and AWB will allow rental payments as a mitigant to offset the genuine savings requirement. The following additional underwriting requirements apply: • Owner-occupied purchases only • • Funds cannot be borrowed (i.e. personal loans, credit cards or loans from family members) • Lump sum payments such as bonuses, tax refunds and proceeds from sale of assets, can be accepted • First Home Owner Grants (FHOGs) can be accepted at the time of application to contribute to the 5% savings/deposit requirement • All funds required to complete the purchase transaction (deposit plus settlement disbursements minus the FHOG), must be evident at the time of application.
	6.2 First Home Owners Grant (FHOG)	The amount of the FHOG or similar government subsidy can be utilised for determination of satisfying 'cost to complete' where the FHOG application has been submitted and approved at time of land settlement, and the overall integrity of the LVR limits remain unchanged.

		Where the FHOG application has not been approved at time of land settlement, then 100% of construction cost is withheld, with client making alternate arrangements to make up additional funds required to complete land settlement.
		The Key to Responsible Lending is verification of Employment, Income, Expenditure and Commitment and loan suitability.
7. Employment and Income		All allowable income that can be verified is to be utilised to ensure we are providing most up to date servicing position for the application. The following topic covers: • Unacceptable Income • Employment Verification • Verification, Documentation and Calculations applied depending on income type.
	7.1 Unacceptable Employment and Income	Unacceptable income: • Board • Workers compensation/Income Protection • Unemployment/JobSeeker/Newstart allowance • Austudy • Youth Allowance • Entertainment Allowance • Travel Allowance • Meal Allowance • Any overseas income (including rental income, investment income, pensions and dividends) • Foreign currency loans • Retained/previous years' company or business profits • Shares given as a bonus • Short term or irregular sources of income are not acceptable • Foster Care • Higher Duty Allowance • Income generated from cryptocurrency sources • Trust distributions where applicant is not trustee (other than spousal)

	7.2 PAYG income	
	7.2.1 Permanent Full Time and Part Time Employees (PAYG)	**Period of Employment** Must have been employed by their current employer for a minimum of 6 months at submission date, or employed for the past 12 months in the same occupation or industry. No more than 2 jobs in the past 12 months. **Documentation Required** Most recent 2 computer generated payslips, the latest being no older than 30 days from date application submitted to MyState or Auswide with most recent containing at least 3 months year-to-date figures, with the name and ABN of the employer evident. YTD to be checked to ensure alignment with base earnings. Where YTD is absent from payslip, an itemised MyGov income statement can be used to evidence. Where YTD figure is for less than 3 months, one of the following is required in order to confirm consistency of salary and employment tenure: • The last payslip from the previous financial year • MyGov income statement for the previous financial year Where the above is unavailable, we will require one of the following: • An itemised MyGov income statement for the previous financial year • a current one month bank statement showing salary credits • Employer letter (on letterhead with ABN etc.) showing gross income, frequency of payment, role or position, length of employment, type of employment (I.e. full time/part time/casual/contract), and break down of the salary package (if applicable) • Employer contract showing gross base income and frequency of payment **Base Wage or Salary:** Description Normal Salary paid at base rate for scheduled hours.

<table>
<tr><td></td><td></td><td>Where applicant is part time, the minimum number of hours is to be confirmed from the two payslips provided and compared against the YTD calculation (lowest hours to be used as base). Where the Average per Pay calculated from the latest YTD figure does not support continuous receipt of this income level, further investigation is required to determine minimum contracted hours (phone employment verification, copy of contract or letter from employer). Additional part time hours worked in excess of the contracted minimum are to be considered under overtime procedure.

Maximum Allowable Income
100% of base income is available for assessment.</td></tr>
<tr><td></td><td>7.2.2 Overtime</td><td>Description
Income paid by an employer at or above the base rate of pay for time worked beyond their scheduled hours.

Maximum Allowable Income
A maximum of 80% of overtime may be used for servicing.

The most recent 2 computer generated payslips with the latest containing at least 6 months YTD is required. Payslips to be no older than 30 days from date application submitted to MyState or Auswide, with the name and ABN of the employer evident.

Where YTD is absent from payslip, an itemised MyGov income statement can be used to evidence.

Annualised overtime from latest payslip to be adopted*.

Where the latest payslip does not contain 6 months YTD, one of the following is required:
An itemised MyGov income statement for the previous financial year
Final payslip from the previous financial year showing YTD
Previous financial year PAYG payment summary / Income statement
Previous financial year Individual Tax Return plus ATO assessment notice
Overtime to be used:<table><tr><th>Employment</th><th>Income</th></tr><tr><td>Employed for the full previous financial year</td><td>Total overtime from previous financial year</td></tr></table></td></tr>
</table>

		<table><tr><td>Employed greater than 6 months for but not for the full previous financial year</td><td>Annualised overtime from previous financial year. Evidence of employment start date will be required.</td></tr><tr><td>Employed for less than 6 months of the previous financial year (but more than 6 months total)</td><td>Sum of previous and current financial year overtime annualised. Evidence of employment start date will be required.</td></tr></table> *Caution is required where the average overtime shown on the two most recent payslips is materially lower than the year to date average (e.g. a reduction greater than 20%). This should be investigated and mitigating commentary provided for consideration.*
	7.2.3 Penalty Payments/Shift Allowances	Description Allowances paid by an employer at or above the base rate. Maximum Allowable Income 80% of assessed work based shift allowances and penalties may be used for servicing. Calculation as per overtime procedure described above.
	7.2.4 Essential Workers	Description Workers employed in full time or part time employment and must be one of the following: • Frontline and key workers in healthcare, residential care and disability support services including doctors, nurses and medical professionals. • Police Officers, Protective Services Officers (PSO), Fire Fighters and Rescue Employees. • Paramedic and Ambulance Officers. • Australian Border Force Employees. • Australian Defence Force Employees. • Corrective Services employees within correctional centres, detention centres and prison services. Maximum Allowable Income 100% of Overtime and Penalty Payments/Shift Allowances may be used for essential workers where we have a minimum of 6 months year-to-date shown on their latest payslip. Calculation as per standard overtime procedure.
	7.2.5 Commission	Description Income paid above the base retainer when sales targets/incentives have been achieved.

		Maximum Allowable Income On the basis that the terms of payment and potential payment remain the same, 80% of commission can be utilised for servicing. Income to be used is the lower of: • the annualised payment received for the most recent 6 months (minimum) period • the annualised average of the two latest commission payments. This is to be evidenced by payslips, payment summary, employer letter or similar. *Where acceptable explanation for low or no commission being present on latest payslips is provided (e.g. due to leave taken), payslips from the previous period without leave can be used for the comparison.*
	7.2.6 Bonus	Description Income paid above the base retainer when sales targets/incentives have been achieved. Maximum Allowable Income On the basis that the terms of payment and potential payment remain the same, 80% of bonus can be utilised for servicing. **Yearly or half yearly bonus payments**: Must have been in receipt of two years bonus payments (i.e. 2x yearly or 4x half yearly payments) with evidence provided. Income to be used is the lower of the average of the last 2 years bonus payments or the most recent bonus payment annualised. **Quarterly bonus payments**: Must have been in receipt of Bonus for minimum one year with evidence provided. Income to be used is the lower of the average of the last 12 months bonus payments or the most recent bonus payment annualised.

		Monthly bonus payments are to be treated as commission. Documentation Required Evidence documents can include payslips, payment summaries, employer letters or similar.
	7.2.7 Fixed Car Allowance	Description Fixed allowance paid by an employer to cover use of private motor vehicle for business purposes. Maximum Allowable Income 100% of fixed car allowance as evidence by payslips is available for assessment.
	7.2.8 Fixed Term Contract Employees	A ***dependent contractor*** is a person employed on a commercial contract but with work arrangements consistent with them being an employee. They must also: • Have a regular number of contracted hours either working full time or part-time. • Have access to annual and sick leave. • Have all income taxes, deductions and superannuation paid by the employer. **Period of Employment** Must have been with their current employer for a period of no less than 6 months, and have greater than 3 months remaining on their existing contract. Where the contract is casual, applicants must have held their position for a minimum of 6 months with their current employer. An ***Independent Contractor*** is a person employed on a commercial contract, with work arrangements consistent with the definition of a self-employed person. *An independent contractor is to be considered as self-employed.* (May have multiple contracts with different employers.) **Documentation Required** Proof as per PAYG employee with addition of contract is required. Maximum Allowable Income 100% of base contract income may be accepted plus other components sensitised as per PFT/PPT or casual employment terms as appropriate.

	7.2.9 Casual Employees and/or Second Job	**Period of Employment** **For second jobs**, both positions must have been held for a minimum of 6 continuous months. In order to ensure long term sustainability, the total combined hours used for servicing is not to exceed 60 hours per week. **For casual employees**, applicants must have held their position for a minimum of 6 months with their current employer. **Calculation method – Casual income** Casual income to be calculated using the Year-To-Date calculator which will project income for 48 weeks. ***Income for casual teachers or other positions where income is not paid for additional set periods each year must be projected over 40 weeks or as applicable based on their specific circumstances.** YTD used must contain minimum 6 months in the current financial year. Where payslip does not contain 6 months YTD one of the following is required: • An itemised MyGov income statement for the previous financial year • Final payslip from the previous financial year showing YTD • Previous financial year PAYG payment summary / Income statement • Previous financial year Individual Tax Return plus ATO assessment notice Income to be used: • Casual YTD from current financial year is to be added to total casual earnings from previous financial year and annualised using the year-to-date calculator. • Where applicant was not casual for the full previous financial year, evidence of start date will be required, otherwise 1st July is to be used. **Documentation Required** The most recent 2 computer generated payslips with the latest containing at least 6 months YTD is required. Additional documents as listed above required where 6m YTD is not shown. The latest payslip to be no older than 30 days from date application submitted to MyState or Auswide, with the name and ABN of the employer evident.

		Maximum Allowable Income 100% of casual income may be accepted, calculated as per above.
	7.2.10 Applicants Employed by Family	**Period of Employment** Minimum of 6 months in the current position or 12 months continuous previous experience within the same industry if employed as permanent employee. No more than 2 jobs in the past 12 months. **Documentation Required** Latest taxation return or PAYG summary plus 2 latest payslips, and payments are to align with latest bank statement. If unable to provide tax return or PAYG summary then 3 months bank statements showing regular salary payments is required. Maximum Allowable Income 100% of base income may be accepted. Income calculated from payslips if the income aligns with last years declared income. Where a salary increase is present on payslips, this can be used where 3 months statements are provided showing consistent receipt. Where statements do not support higher payment, then previous years income to be used. **Where applicant is employed by a self-employed co-applicant, personal taxation return and ATO Notice of Assessment will be required for the same (most recent) financial year used for assessment of the self-employed applicant.* *Salary will be limited to the amount shown on the personal taxation return unless the business profit is not being used for servicing AND the financials show profitability using higher income from the payslips provided (if applicable).*

	7.2.11 Salary Packaging or Salary Sacrifice	If applicants have access to salary sacrificing noted on payslip, depending on the use of the payment depends on calculation to be utilised. If Salary Packaging is for personal expenses or loan repayments: • Salary packaging for personal expenses or loan repayments can be treated as non-taxable income (net of administration fees). If packaging is for a loan then full loan commitment is to be noted as a financial liability. When loading to the calculator the gross income less the salary packaging (pre-tax amount) is entered as base income with the salary packaged amount (pre-tax amount) net of administration fees loaded as tax free. If Salary Sacrifice is to applicants Super: • Provided the borrower's total package is available as cash at the borrower's option, then the total package can be treated as gross income (less compulsory superannuation contributions) for servicing purposes; • Lender/Broker to document conversation held with applicant(s) confirming the following: o Deductions are voluntary and can be ceased at any time. o Applicants intend to stop these payments should funds be required to meet loan commitments.
	7.2.12 Maternity / Paternity leave	Payment is a source of income that provides financial support to working parents of a newborn or recently adopted child. Care must be taken with income calculation for applicants either on maternity leave or about to begin maternity leave. There must be a clear intention to return to work (with same employer) and this is to be acknowledged. **Documentation Required** The following information must be obtained in writing from the employer: • Date maternity leave is to commence/Commenced • Date returning to work

- Breakdown of income payments and time frames whilst on leave (examples below):
  - 6 weeks half pay of $xxx per week
  - 18 weeks Government Parental leave $xxx per week (if known by employer or confirmed by applicant)
- Employment conditions when returned to work (examples below):
  - Continuing with same employment conditions as prior to leave
  - Part time employment at 60% of previous full time position and salary,
  - Part time 30 hours per week at $25 per hour

Maximum Allowable Income

Income calculation will be salary to be paid when returning to work taking into account future changes to work situation such as reduced hours of employment. 100% of this income can be used for servicing position.

Applicants need to demonstrate ability to service for entire leave period. Where this includes periods with reduced or no income, savings held can be used to cover these periods. Servicing calculator is to be prepared for these periods with the applicable income and expenses entered to determine any monthly shortfall. Savings to cover the shortfall is required to be held to cover the applicable period(s).

Proof of savings is to be provided along with a statutory declaration confirming the clients are aware of their commitments and the use of savings may be required.

	7.4 Self-Employed	**<u>Acceptable Borrowers</u>** Loans with company or trust as borrower are not accepted unless existing lending to the entity is held.
	7.4.1 Sole Trader	• Must have been trading for a minimum of 2 years (confirmed by ASIC ABN search). • The most recent year for tax returns and financials is not to exceed 18 months from date of application. • Any income earned within self-employed businesses that requires shading (e.g. rent or dividend income) must be separated from the profit & loss calculations and entered separately to the relevant section to ensure they are appropriately weighted. • Draft tax returns / financial statements, cash flow projections or any other projected incomes are unacceptable. • ATO Notices of Assessment must be checked to identify any Study Loan repayment obligations *(e.g. HECS / HELP / STSL)* etc. requiring inclusion in servicing calculations. **<u>Single year financials:</u>** **Available for**: • Applications with LVR up to 80% • Only one source of self-employed income **Income used will be the net profit generated from the normal course of business shaded by 10%.** **All income from the entity including addbacks (except interest) to be shaded.* *Income is to be extracted from the "Business and professional items section" (P8) of the latest tax return supplement (business income less expenses). Any extraordinary items that are not related to the business operation are to be excluded (e.g. Government relief payments, capital gains, interest, insurance claims etc.).* **Documentation Required:** • **Latest year personal tax return.** • **ATO Notice of Assessment** *(must show same taxable income as the tax return).* • **Depreciation schedule where this is used as an addback.* **Addbacks:** • Depreciation. • Interest *(where it relates to a financial liability shown in the application).* Instant asset write-offs *(shown as 100% depreciation in the depreciation schedule)* are a one off expense and are considered as a taxable addback. Business related financial liabilities to be included in statement of position liabilities.

Two year financials:

To be used where requirements for single year financials are not met.

Income used will be the average of the last 2 years unless the most recent year is lower, in which case the most recent year is used.

Income is to be extracted from the "Business and professional items section" (P8) of the latest tax return supplement (business income less expenses). Any extraordinary items that are not related to the business operation are to be excluded (e.g. Government relief payments, capital gains, interest, insurance claims etc.).

Documentation Required:

- **Latest 2 years personal tax returns.**
- **Latest 2 years ATO Notices of Assessment** *(must show same taxable income as the tax returns).*
- **Depreciation schedule where this is used as an addback.*

Addbacks:

- Depreciation.
- Interest *(where it relates to a financial liability shown in the application).*

Instant asset write-offs *(shown as 100% depreciation in the depreciation schedule)* are a one off expense and are considered as a taxable addback.

Business related financial liabilities to be included in statement of position liabilities.

* *Where a tax deduction is shown on applicant's personal tax return for Personal Superannuation Contributions (Section D12), this is to be excluded from gross income unless applicant(s) confirm their intention to stop these contributions should funds be required to meet loan commitments.*

Lender/Broker to document conversation held with applicant(s) confirming that the applicant(s) intend to stop these payments should funds be required to meet loan commitments.

	7.4.2 Partnership	• Must have been trading for a minimum of 2 years (confirmed by ASIC ABN search). • The most recent year for tax returns and financials is not to exceed 18 months from date of application. • Any income earned within the partnership that requires shading (e.g. rent or dividend income) must be separated from the profit & loss calculations and entered separately to the relevant section to ensure they are appropriately weighted. • Draft tax returns / financial statements, cash flow projections or any other projected incomes are unacceptable. • ATO Notices of Assessment must be checked to identify any Study Loan repayment obligations *(e.g. HECS / HELP / STSL)* etc. requiring inclusion in servicing calculations. **Single year financials:** **Available for**: • Applications with LVR up to 80%. • Only one source of self-employed income. **Income used will be the net profit generated from the normal course of business shaded by 10%.** **All income from the entity including addbacks (except interest) to be shaded.* *Income is to be extracted from the "Business and professional items section" (P8) of the latest tax return supplement (business income less expenses). Any extraordinary items that are not related to the business operation are to be excluded (e.g. Government relief payments, capital gains, interest, insurance claims etc.).* **Documentation Required:** • **Latest year partnership tax return.** • **Latest year personal tax return.** • **ATO Notice of Assessment** *(must show same taxable income as the tax returns).* ○ **Depreciation schedule where this is used as an addback.* **Addbacks:** • Depreciation. • Interest *(where it relates to a financial liability shown in the application).* Instant asset write-offs *(shown as 100% depreciation in the depreciation schedule)* are a one off expense and are considered as a taxable addback. Business related financial liabilities to be included in statement of position liabilities.

Two year financials:

To be used where requirements for single year financials are not met.

Income used will be the average of the last 2 years unless the most recent year is lower, in which case the most recent year is used.

Income is to be extracted from the "Business and professional items section" (P8) of the latest tax return supplement (business income less expenses). Any extraordinary items that are not related to the business operation are to be excluded (e.g. Government relief payments, capital gains, interest, insurance claims etc.).

Documentation Required:

- **Latest 2 years partnership tax returns**
- **Latest 2 years personal tax returns.**
- **Latest 2 years ATO Notices of Assessment** *(must show same taxable income as the tax returns).*
- **Depreciation schedule where this is used as an addback.*

Addbacks:

- Depreciation.
- Interest *(where it relates to a financial liability shown in the application).*

Instant asset write-offs *(shown as 100% depreciation in the depreciation schedule)* are a one off expense and are considered as a taxable addback.

Business related financial liabilities to be included in statement of position liabilities.

* *Where a tax deduction is shown on applicant's personal tax return for Personal Superannuation Contributions (Section D12), this is to be excluded from gross income unless applicant(s) confirm their intention to stop these contributions should funds be required to meet loan commitments.*

Lender/Broker to document conversation held with applicant(s) confirming that the applicant(s) intend to stop these payments should funds be required to meet loan commitments.

	7.4.3 Directors Wages	**Directors Wages:**
		For applicants that are shareholder and director of a company, directors wages can be used in isolation where serviceability is evident.
		• Must have been trading for a minimum of 2 years (confirmed by ASIC ABN search).
		• The most recent financial year for income is not to exceed 18 months from date of application.
		
		Income used will be wage/salary paid to the directors only.
		• No addbacks allowed.
		• Business debts are excluded.
		
		Documentation Required:
		• **Itemised MyGov income statement** (for the completed financial year)
		• **Accountant letter confirming the self-sufficiency of the company** (for the same year) and **confirming the following**:
		  • They have completed the latest year's tax returns and business financial statements.
		  • The company is trading profitably and has sufficient earnings to meet their financial/lending liabilities from normal trading activities *(excluding any Government assistance, capital gains or previous year retained profits).*
		
		(Tax returns, NOA's and business financials can be used in lieu of the above if required in line with company using retained profit documentation requirements).

7.4.4 Company

Company: (Using company profits)

- Borrowers are required to have a minimum 50% shareholding in the company *(confirmed by company search)* and income is to be prorated in line with percentage shareholding.
- If the borrower has received a dividend from the company, this is not to be used *(to avoid double counting)*.
- Must have been trading for a minimum of 2 years (confirmed by ASIC ABN search).
- The most recent year for tax returns and financials is not to exceed 18 months from date of application.
- Any income earned within the company that requires shading (e.g. rent or dividend income) must be separated from the profit & loss calculations and entered separately to the relevant section to ensure they are appropriately weighted.
- Draft tax returns / financial statements, cash flow projections or any other projected incomes are unacceptable.
- ATO Notices of Assessment must be checked to identify any Study Loan repayment obligations *(e.g. HECS / HELP / STSL)* etc. requiring inclusion in servicing calculations.

Single year financials:

Available for:

- Applications with LVR up to 80%.
- Only one source of self-employed income.

Income used will be the net profit generated from the normal course of business shaded by 10%.
**All income from the entity including directors wages/salary and addbacks (except interest) to be shaded.*

Business liabilities must be included as an adjustment to net profit *(interest can be added back)*.

Undistributed profit is to be calculated from Section 6 "Calculation of Total Profit or Loss" of the latest company tax return (business income less expenses). Any extraordinary items that are not related to the business operation are to be excluded (e.g. Government relief payments, capital gains, interest, insurance claims etc.).

Documentation Required:

- **Latest year personal tax return.**
- **ATO Notice of Assessment** *(must show same taxable income as the tax return).*
- **Latest year business taxation return**
- **Latest year business financial statements**

Addbacks:

- Interest *(relating to financial liability shown in the application).*
- Depreciation / Instant asset Write-off (taxable addback).

Two year financials:

To be used where requirements for single year financials are not met.

Income used will be the average of the last 2 years unless the most recent year is lower, in which case the most recent year is used.

Business liabilities must be included as an adjustment to net profit *(interest can be added back)*.

Undistributed profit is to be calculated from Section 6 "Calculation of Total Profit or Loss" of the latest company tax return (business income less expenses). Any extraordinary items that are not related to the business operation are to be excluded (e.g. Government relief payments, capital gains, interest, insurance claims etc.).

Documentation Required:

- **Latest 2 years personal tax returns.**
- **Latest 2 years ATO Notices of Assessment** *(must show same taxable income as the tax returns).*
- **Latest 2 years business tax returns**
- **Latest 2 years business financial statements**

Addbacks:

- Interest *(relating to financial liability shown in the application).*
- Depreciation / Instant asset Write-off (taxable addback).

Undistributed profit that is used to service a loan will have an effect on income sources and liabilities that are calculated based on an applicant's taxable income.

- Any reduction to other income sources is to be considered and applied in line with the applicable income test (e.g. FTB or any other Centrelink income, Child Support income, etc.) available on the appropriate website.
- Similarly, increases to liabilities based on applicants needing to access undistributed profits are to be applied (e.g. HECS/HELP debt repayments, Child Support Costs).

Where a company loss is recorded, this is to be recorded as a financial expense and not deducted from other sources of income.

Directorships:

Where applicants have ownership of a business, or additional directorships (including for any SMSF's) are shown on credit reports and we are not relying on income from these sources, ownership share is to be determined via Equifax search.

- Where there is less than 20% ownership stake *(as verified by company search)*, a statutory declaration from the applicant is required confirming that they are not liable under any company directors guarantees. Equifax report should also be perused to identify any enquiries for same. Where the applicant is liable, the company debt and repayment is to be included in liabilities.
- Where applicant owns 20% or more of the business, an accountant's letter is to be obtained confirming the self-sufficiency of the company and must contain the following:
  - They have completed the latest year's tax returns and business financial statements
  - The company is trading profitably and has sufficient earnings to meet their financial/lending liabilities from normal trading activities (excluding any Government assistance, capital gains or previous year retained profits)
  - There is no reliance on any personal income from the applicants to support the company.
  - **Where the company is a corporate trustee, the details of the trust are required, and the letter must also address the self-sufficiency of the Trust / SMSF as per above.*

Additional Information for Companies:

If an applicant is a joint owner of a company with a third party who is not an applicant on the loan, the following applies:

- Where company profit is used for servicing, applicant must hold minimum 50% shareholding in the company. (Immediate family ownership can be combined to meet 50% minimum requirements)
- The percentage of income used should align with the shareholding
- Should a loss be recorded in company/trust financials, this is to be recorded as a financial expense in addition to all financial liabilities.

7.4.5 Trust

Trust:

- Income from a Trust is acceptable where applicants are both trustee and beneficiary of the trust (or co-borrowing spouse of trustee/beneficiary).
- Where Trust has a corporate trustee, company must not be a trading entity, and borrowers must have a minimum 50% shareholding in the trustee company
- Must have been trading for a minimum of 2 years (confirmed by ASIC ABN search).
- The most recent year for tax returns and financials is not to exceed 18 months from date of application.
- Income from a Trust is acceptable where applicants are both trustee and beneficiary of the trust (or spouse of trustee/beneficiary).
- Any income earned within the trust that requires shading (e.g. rent or dividend income) must be separated from the profit & loss calculations and entered separately to the relevant section to ensure they are appropriately weighted.
- Draft tax returns / financial statements, cash flow projections or any other projected incomes are unacceptable.
- ATO Notices of Assessment must be checked to identify any Study Loan repayment obligations *(e.g. HECS / HELP / STSL)* etc. requiring inclusion in servicing calculations.

Single year financials:

Available for:

- Applications with LVR up to 80%.
- Only one source of self-employed income.

Income used: The distribution as shown on the individual tax return shaded by 10%.

**All income from the entity including addbacks (except interest) to be shaded.*

- Where applicable, addbacks may be included to increase the (taxable) distribution amount prior to the application of shading.
- Trust liabilities to be subtracted from the shaded income.

Underlying income for the trust is to be checked to ensure profitability from Section 5 "Business income and Expenses" of the latest trust tax return. Any extraordinary items that are not related to the business operation are to be excluded (e.g. Government relief payments, capital gains, interest, insurance claims etc.).

Documentation Required:

- **Trust deed**
- **Latest year trust tax return.**

- **Latest year trust business financials**
- **Latest year personal tax return.**
- **ATO Notice of Assessment** *(must show same taxable income as the tax returns).*

Addbacks:

- Depreciation / Instant asset Write-off (taxable addback).
- Interest *(relating to financial liability shown in the application).*

Two year financials:

To be used where requirements for single year financials are not met.

Income used: The average of the last 2 years distributions as shown on the individual tax returns unless the most recent year is lower, in which case the most recent year is used.

- Where applicable, addbacks may be included to increase the distribution amount prior to the application of shading.
- Trust liabilities to be subtracted from the averaged income.

Underlying income for the trust is to be checked to ensure profitability from Section 5 "Business income and Expenses" of the latest trust tax return. Any extraordinary items that are not related to the business operation are to be excluded (e.g. Government relief payments, capital gains, interest, insurance claims etc.).

Documentation Required:

- **Trust deed**
- **Latest 2 years trust tax returns**
- **Latest 2 years trust financial statements**
- **Latest 2 years personal tax returns.**
- **Latest 2 years ATO Notices of Assessment** *(must show same taxable income as the tax returns).*

Addbacks:

- Depreciation / Instant asset Write-off (taxable addback).
- Interest *(relating to financial liability shown in the application).*

Instant asset write-offs *(shown as 100% depreciation in the depreciation schedule)* are a one off expense and are considered as a taxable addback.

	7.5 Rental Income	
	7.5.1 Rental Income: Standard Residential	The type of transaction and ownership of the investment property will determine the documentation required for acceptance of rental income. **<u>Documentation Required</u>** **For existing investment properties one of the following will be required:** • 1 month rental statement from most recent month from the property manager where it can be clearly identified what the regular (weekly/fortnightly/monthly) rental amount received is. Where the regular rental amount cannot be determined from 1 month rental statement then 3 months rental statements are to be obtained. • Transaction statements that clearly identify the deposit as rental associated with the specific property evidencing stable payments for the prior 6 months. • Most recent Tax Return (providing the property is still held as an asset by the same parties)**.** • Lease Agreement. **If purchasing new owner occupied and renting out current owner occupied: (One of the following)** • Written rental appraisal from a recognised property manager. • Rental Assessment from a panel Valuer. The lower figure of the rental appraisal or the rental assessment from the panel valuer is to be utilised. **For properties being purchased as an investment: (One of the following)** • Contract for Sale where the current tenancy is disclosed including rental lease amount and frequency. • Rental Assessment from a panel Valuer. • Written rental appraisal from a recognised property manager. The lower figure of the rental appraisal or the rental assessment from the panel valuer is to be utilised if the property being purchased is not currently tenanted. **For borrowers who are leaving, or have left, their principle place of residence to move in with relatives:**

		It is important to determine the validity of a borrower's current living situation when determining inclusion of rental income for a borrowers only owned property. Where a borrower has stated that they are living with relatives, and their only owned property is now classified as an investment property, the following should be obtained/considered: • An arm's length lease with a term of no less than 12 months should be obtained for the investment property • Rental statements and transaction statements showing payments are being received Notional rent should be included in the servicing calculation. Care needs to be taken where the situation of the borrower/s does not match their stated living situation. The reasonableness and sustainability of proposed living arrangements giving consideration to the family structure and accommodation capacity should be considered. **Maximum Allowable Income** **Standard residential property:** • Net rent will be 75% of gross rent, provided property expenses are less than 20% of the gross. • Where property expenses exceed 20% of gross rent, net rent will be 95% of gross rent with property expenses then deducted.
	7.5.2 Other Rental Income: (Airbnb, Bed and Breakfast, short stay / holiday rentals)	**Documentation Required** Personal taxation return and ATO Notice of Assessment for latest financial year not exceeding 18 months from date of application. **Maximum Allowable Income** • Net rent will be 65% of gross rent shown on latest tax return, provided property expenses are less than 20% of the gross. • Where property expenses exceed 20% of gross rent, net rent will be 85% of gross rent with property expenses then deducted. Full expenses shown on the tax return are to be included in the Rental Income Calculator (excluding depreciation and interest).

	7.5.3 Rental Income: Commercial	Commercial property rental income is only available when the commercial properties are rented by a non-related party (not rented by any of the applicants) **Documentation Required** Personal taxation return and ATO Notice of Assessment for latest financial year not exceeding 18 months from date of application. **Maximum Allowable Income** • Net rent will be 50% of gross rent shown on latest tax return, provided property expenses are less than 20% of the gross. • Where property expenses exceed 20% of gross rent, net rent will be 70% of gross rent with property expenses then deducted.
	7.6 Other Income	
	7.6.1 Interest and Dividends	**Documentation Required** Latest two financial years income documents of accounts or individual taxation returns with ATO NOA. Latest statement also required to evidence current holdings. Latest year is only to be used if this amount is lower than the previous year, otherwise the average of the two years is to be used. Evidenced from taxation return as well as latest bank statement for interest payment to ensure funds still held. **Maximum Allowable Income** 80% of the Interest from an ADI or dividends from a shareholding can be used as income.
	7.6.2 Pensions and Government Allowances	**Documentation Required** Letter from Government Department or income provider which lists the benefit amount and frequency. **Maximum Allowable Income** 100% can be used for servicing on the basis that the pension is of a permanent nature and irrevocable. Combined income from Centrelink (Pensions, FTB, etc.) and Child Support is not to exceed 50% of total income of any application.

	7.6.3 Self-funded Superannuation	**Documentation Required** • Latest Superannuation Statement or screenshot of super account showing current balance ***and*** • 3 months transaction statements showing pension drawdowns. **Maximum Allowable Income** 100% can be used on the basis that the balance of the superannuation fund supports the ability to maintain income level for the life of the loan, (reasonable level of growth earnings is allowable).
	7.6.4 Family Allowance & Parenting Payment	**Documentation Required** Letter or Income Statement from Government Department which lists the benefit amount and frequency. Payments must be payable for the next 5 years. i.e. • Family Allowance is only available for dependents 13 years of age and under. • Parenting Payment Single is only available for dependants 9 years of age and under. • Parenting Payment Partnered is not eligible for use. **Maximum Allowable Income** 100% can be used for servicing. Combined income from Centrelink (Pensions, FTB, etc.) and Child Support is not to exceed 50% of total income of any application.
	7.6.5 Child Support	**Documentation Required** The Child Maintenance Agreement must be registered with the Child Support Agency and we require bank statements showing 3 months consistent payments. Payments must be considered permanent and for no less that the next 5 years (i.e. only for dependents under 13 years of age). **Maximum Allowable Income** 100% can be used for servicing. Combined income from Centrelink (Pensions, FTB, etc.) and Child Support is not to exceed 50% of total income of any application.
	7.6.6 Deductible Interest (Negative Gearing)	The tax benefit gained from the use of deductible interest may be included for servicing assessment for new applications.

		Deductible Interest may be used for any existing investment loans and new investment purchases or constructions. For negatively geared properties acquired after 12 May 2026 that are not classified as eligible new properties, deductible interest must not exceed the amount that can be offset against rental income in accordance with applicable gearing restrictions for the relevant property(ies). Additional documentation may be required to substantiate property attributes relevant to the application of this provision. Deductible Interest may not be used where the loan is for a holiday home/secondary residence, vacant land or for any property owned by a unit or discretionary trust. Servicing is assessed on debt at the higher of the MyState Limited Floor Rate or the actual product rate plus the MyState limited Interest Rate Buffer. Tax benefit is based on the actual product rate applicable to the loan at time of assessment before application of buffer. **Maximum Allowable Income** 100% of deductible interest may be used as per the calculation completed in the manual capacity calculator.

8. Living Expenses		All of the borrowers' living expenses need to be considered when determining a borrowers servicing and ability to repay the debt.
	8.1 Assessment of Dependents and households	Assessment of living expenditure should be done in context to the number of children/dependents in the family In case of joint applications the required share of expenses must be assessed and stated in the application. If a married couple are living in two separate households then they are to be listed for servicing purposes as single and separate expenses loaded for each household. Dependents to be included in appropriate household. For the purpose of servicing, a dependent is defined as: • A spouse or life partner • Child under 18 and primary care is provided by the applicant • Child over 18 who is full time study and does not earn independent income • Parents living with the applicant/s who do not support themselves financially The table below provides clarification for scenarios that fall outside the above parameters:

If the person is …	**Then …**
A minor, and a Carer is in receipt of allowance or similar benefit for caring for that person	Include as a dependent
Is not a minor and in receipt of own benefit, and a benefit is payable to the carer	Exclude as a dependent
Single borrower with non-applicant spouse/partner	Include as a couple for assessment For spousal relationships living together, applicant can be treated as single with full household expenses

			apportioned as per Common Debt Reducer policy (refer section 9.1).
		Paying child support/maintenance	Include actual confirmed child maintenance amount in expenses or if unable to be confirmed include as a dependent
		Foster Children	As the payment for Foster children is a direct re-imbursement of costs this income is not available to be used for servicing and as such the foster children can be exempt from being classified as a dependent
	8.2 Expense Verification	Applicant/s will be required to advise a detailed list of their current living expenditure taking into account additional expenses required for costs associated with the current application (e.g. Rates and Insurance of new owner occupied property purchase). Expenditure included within Living Expenses calculation are: • Child care • Clothing and Personal care • Education • Groceries • Insurance • Medical and Health • Recreation and Entertainment • Telephone and Internet • Transport • Utilities and Rates – Owner Occupied • Other living expenses Please note: If any of the above categories have the expense captured as 'Nil' these need to be investigated and the reason detailed.	

For pre-approved property purchases where higher expenses are applicable for the specific property when found (e.g. body corporate fees), servicing assessment requires reassessment to ensure these expenses are captured and the loan still meets affordability requirements.

In addition to living expenses the following needs to be captured. (These need to be captured in addition to the applicant's stated living expenses):

- Expenses related to non-primary residences that are not captured under net rental calculations (e.g. shacks/holiday homes, vacant land or properties where rental income is not available)
- STSL / HECS / HELP Debt repayments
- NSW First Home Buyer Choice Property Tax
- Child Support Costs
- Private School Fees
- Private Health Insurance
- Life, Sickness & Personal Accident insurance
- Rental Expenditure or Notional Rent

The assessing officer is required to satisfy themselves of the adequacy of expenses in relation to number of dependants, income and property ownership. In some cases this may require additional documentation from the customer.

If MSB or AWB have requested transaction statements for any reason these will be utilised to verify stated expenses.

Other Expenses that may be required:

Expenses	Amount Required to be captured
Notional Rent	If applicant has been living with family/friends for less than 5 years, notional rent of $150 per applicant per week is to be applied. If board being paid is higher than notional rent then the higher amount is used

		Business/Company commitments	Where Director(s) are applicants and undistributed profit/addbacks are utilised in servicing, all business company loan commitments are to be included in servicing calculation. Where a partnership/business is held with an unrelated third party (not a party to the loan), analysis is to be undertaken to ensure there is no reliance on business income being utilised in the servicing calculation to meet company loan commitments

9. Loan Commitments

Loan commitments must be assessed utilising the credit bureau report and information provided by the customer to confirm loan balances. In all cases where there is a mismatch between the information provided by the customer and the credit report further enquiry should be made by the assessing officer.

The following is to be used for calculation of liabilities and other expenses

Existing Commitment	Commitment Required
Existing OFI home loans not being refinanced	Applicant stated repayments. Balance plus available redraw and any undrawn funds is to be used as loan amount (Please note buffers are to be applied to existing mortgage liabilities):
Personal Loans	Applicant stated repayments
Credit Cards/Store Cards BNPL Facilities with >2 months repayment term.	3.8% of the limit monthly (This is to show the ability to repay the amount of the credit card limit within a 3 year period.
Secured Lines of Credit	Based on loan term of 30 years
STSL / HECS / HELP	Repayments to be recorded as "Private & Non-Government Education" expense (outside of HEM)
Charge Cards / Amex	3 months statements are required. Where the account has been paid in full each month, $1 is to be entered as a Credit Card Limit. If the account has not been paid in full, the highest monthly spend is to be entered as a Credit Card Limit.
BNPL Facilities with <2 months repayment term (AfterPay, PayPal in 4, etc.)	Expenditure under these facilities is to be recorded as a living expense and allocated under the applicable category in line with the facility use.

	9.1 Common Debt Reducer	Common debt reducer is available to rely on reduced living expenses and joint repayment liability for debts shared with a spousal non-applicant. Application is subject to passing serviceability both for the overall household and the applicant.
		
		Common Debt Reducer is limited to spousal relationships only and where both parties live at the same address.
		
		Common debt reducer is not to be used for:
		• Non spousal relationships.
		• Spousal relationships where both parties do not live at the same address
		• Any avoidance of scrutiny of the non-applicant spouse (e.g. debts held individually or recent changes to income or employment that would not satisfy MyState/Auswide lending requirements.)
		
		Documentation required from non-applicant
		• Signed and fully completed Third Party / Non Applicant Consent form with identification.
		• Income documents as applicable that meet standard MyState/Auswide Bank lending requirements.
		
		Process:
		• Complete a Credit Check for the non-applicant to ensure all debts are captured and check that conduct does not indicate financial stress.
		• Complete a servicing calculator for the whole household to ensure the household can afford the additional debt load. (Full lending policy applies to non-applicant income including required employment tenure, income haircuts and exclusions).
		• Provided servicing is met for the entire household (including the new debt) then:
		  • Assess applicant as a single borrower (all dependants must be included)
		  • Living expenses for the household may be apportioned in line with the percentage of household income that our applicant earns.

		• The debt that is jointly held with their spouse may be apportioned in line with the greater of either:
		  ○ The percentage of debt limit and repayment in line with the percentage household income that our applicant earns or,
		  ○ 50% of the commitment.
		• For the correct calculation of DTI, the portion of the debt limit that is not included above is to be entered in applyonline/LendFast as a personal loan with $1 annual repayment.
		Example of apportioning:
		• Applicant income $100,000.
		• Spouse income $40,000.
		• Our applicant earns 71% of household income ($100,000 / $140,000)
		• Total stated household expenses $6,500 per month
		• Enter to applyonline/LendFast as $4,615 ($6,500 x 71%)

	9.2 Conduct of existing debt	The conduct on existing debt can be verified via the bank statements, loan statements or through the credit bureau reports (Comprehensive Credit Reports – CCR) Any arrears on existing debts must be investigated and an acceptable explanation supplied by the applicant. Where an open debt is listed as being repaid to assist the servicing position, either an official closure letter is required, or if unavailable, a statement showing zero balance **and** an email from the lender confirming the account is closed is required.
	9.3 Credit Report	Credit reports of are to be obtained on all borrowers, guarantors and any related entities and reviewed as part of the assessment process of an application All credit enquiries within the last 12 months are to be referenced to the statement of position provided by the applicant/s to ensure there are no discrepancies. If any doubt exists over the accuracy of information held, MSB or AWB may request 3 months transaction statements which will be carefully perused for undisclosed debts.

		Where any undisclosed debts are found customer is provide explanation for non disclosure and further enquiries are to be made clarifying if there are any additional debts that should be included in the application. Where there is doubt to the completeness of the applicant's response then 3 months statements of the customers transaction accounts may be requested for perusal to ensure no further undisclosed debts are evident. The assessment is also to confirm the directors of any related entity and confirmation of directorships of individual borrowers and guarantors. Under the Comprehensive Credit Reporting, the conduct of loans with other financial institutions (OFI), where these are reported, provide greater depth of analysis of the applicants conduct. Where a loan is identified as having arrears additional information may be requested on a case by case basis. The intent of the above is to evidence that any adverse arrears identified in the bureau report is not wider spread to the borrowers non CCR reported loans. **Bankruptcies / Part IX agreements** Applications with credit reports showing and record of bankruptcies or Part IX debt agreements are are not acceptable to MYS or AWB. **Unpaid Defaults** Where a default is showing as unpaid on a credit file, further investigation should be undertaken to determine if the default remains unpaid. If the applicant/s advise the default has been paid, evidence of this should be obtained and kept on file. Unpaid defaults are not acceptable and any loan with an outstanding default should be declined. **Paid Defaults / Court Judgements**

		Paid defaults and/or court judgements are to be investigated thoroughly. A full explanation and suitable mitigants are to be provided by the broker. Applications involving paid defaults to other financial institutions will be assessed on a case by case basis, however, the overall financial position of the borrower should be strong. The applicants credit report must show that the default/judgement has been paid or a letter on file detailing that payment has been completed. In circumstances where an application with a paid default to another financial institution or court judgement is being recommended, satisfactory explanation and mitigants should be escalated to your BRM for review.
	9.4 Refinance and Debt Consolidation documentation and conduct	Care must be exercised that MyState or Auswide are not approving higher risk refinance or debt consolidation applications. Where the purpose for the loan is for refinance or debt consolidation, specific reference is made to the verification requirements associated with the approval of finance for the same. The debt consolidation/refinance should support an improved financial position, the reason for how this debt was accumulated should be carefully examined, increasing unsecured debt may highlight the borrower is living beyond their means. A maximum of 4 personal debts totalling up to $50,000 total are acceptable to be consolidated (this includes any limit reductions required for servicing). Car loans or loans obtained for acquisition of a significant asset are acceptable in addition to the above, provided the asset is evidenced as still held and the original loan purpose confirmed. The above limits apply in total across all applicants/applications. Cash out is still available to clear the balance of debts exceeding the above limits however the limits and repayments of those debts must remain included in servicing calculations. Should any doubt exist regarding the accuracy and the integrity of the data provided, then further information will be requested by the assessing/approving officer.

Where the purpose of the loan is to refinance existing debts or debt consolidation, confirmation of the outstanding balance, and evidence of acceptable conduct on the loan/s being refinanced is evidenced by:

Loan Type	Documentation
Home Loans/Lines of Credit	No statements required where debt is reported on Equifax CCR.*
Personal Loans	No statements required where debt is reported on Equifax CCR.*
Credit and Store Cards	No statements required where debt is reported on Equifax CCR.*
Private/Family Loan	6 months statements plus statutory declaration from the lender confirming balance outstanding and no late repayments for most recent quarter
Overdrafts/unsecured lines of credit	No statements required where debt is reported on Equifax CCR.*

***Where account is not reported on Equifax CCR, 6 months consecutive full statements are required. Credit and Store Cards must show credit limit and previous months' transactions.**

	9.5 Assets	Where an applicant's balance sheet does not align with their overall situation or disclosed liabilities, the broker should make reasonable enquiries and obtain evidence of ownership of any significant assets detailed in the Statement of Position. For example, superannuation statements to prove balance of super held, copy of rates notice to prove ownership of any property held etc. In terms of the requirement, a 'significant asset' is considered any single asset or group of assets that the applicant would hold even if there is no corresponding debt

10. Servicing Assessment		Under the principles of responsible lending, for a loan not to be unsuitable for a borrower, the borrower must have the capacity to repay the loan without experiencing significant hardship. Borrowers must demonstrate that they can repay their loan commitments and meet ongoing living expenses. The servicing must be assessed using the MyState/Auswide servicing calculator. In the assessment of servicing it is critical to, as best able, ensure that the servicing position is detailed, and on which the loan is assessed is representative of the position going forward. While personal circumstances may change, assessment of affordability should not rely on historic information when you are aware of a change or pending change in circumstances. To meet MyState/Auswide servicing requirements the Net Disposable income ratio must be a minimum of 1:00 times cover with a positive surplus.
	10.1 Floor Rate	In the assessment of servicing capacity for residentially secured facilities, MSB and AWB adopts a minimum interest rate (The Floor Rate) for all new and existing mortgage backed loans to ensure that in times of extremely low interest rates the assessment is still reflective of what is a reasonable market position. The current Floor Rate for servicing residentially secured consumer loan facilities is 6.00%.
	10.2 Interest Rate Buffer	The servicing assessment of a loan application requires a level of contingency to be added to serviceability to accommodate interest rate movements for new and existing mortgage backed loans. A buffer is to be added to the actual interest rate of the loan to provide repayment liability at a higher interest rate. The repayment is calculated on the current debt (including redraw) or the account limit. The buffer is to be applied to all mortgage secured debt facilities, both internal and external. The current interest rate servicing buffer for residentially secured consumer loan facilities is 3.00%.

	10.3 Assessment Rate	MSB and AWB residentially secured loan applications for new funding's (including refinance) and for existing debts are to be assessed at an interest rate using the higher of: • The Floor Rate or • The actual product rate PLUS the Interest Rate Buffer.
	10.4 Exit Strategy	Where the applicant is 55 years of age or older, the security property is owner occupied, and the loan term exceeds the government retirement age (currently 67), lending officers must outline, in the form of a repayment or exit strategy, how the loan will be serviced or repaid from the time that the borrower retires. This requires assessment to ensure that we are not placing the customer in a position of substantial hardship at the time of their retirement. • Exit strategies must be 'Owned' by the borrower and must be accepted by the borrower and not advocated without the borrowers consent by a lender or 3rd party. This is to ensure that the borrowers understand their responsibilities and acceptance of the strategy and that it suits their future objectives. Exit strategy is to be reviewed for plausibility and acceptability by the bank.
	10.5 Additional Servicing Requirements	Additional servicing restrictions may be placed on certain products from time to time. Please refer to Appendix A for current restrictions. **Servicing of Principal and Interest Loans** Where the loan is approved on a principal and interest basis, the loan should be repaid in full over the term of the loan. Servicing should be based on the same term with the inclusion of appropriate interest rate buffers / floor rates.

Servicing of Interest Only Loans

Where the loan is approved on an interest only basis, the loan should be assessed for servicing on a 'residual term' basis with the inclusion of appropriate interest rate buffers / floor rates. The 'residual term' equates to determining the applicable maximum loan term available for the product less the interest only term sought. Consideration should be given to 'exit strategy' in the determination of the maximum term available

11. Valuations and LVR's		MyState and Auswide home loans require registered first mortgage security over residential real property. Depending on the loan type and a number of variables, the required valuation and maximum LVR will vary between all available products. The type of valuation required is dependent on a number of variables and the following details these variables. The lesser of the valuation market value versus purchase price/land value plus builders contract is to be used where values do not align.
	11.1 Valuation Types	MSB and AWB will utilise a variety of source documents to determine a collateral's value for LVR calculation. The following source documents, subject to their respective restrictions, are accepted by MSB and AWB: • Long Form Valuation • Short Form Valuation • Electronic Valuation Report (EVR) / Desktop Valuations • Contract of Sale (COS) Purchase Price supported by AVM (purchase price used for calculation of LVR) • Automated Valuation Model (AVM)
	11.2 Maximum LVR's	The table attached under Appendix A outlines maximum LVR's acceptable depending on loan type and purpose. Please refer to this table to ensure correct product is selected. Maximum LVR's are based on property being in good condition and readily saleable **Mortgage Insurance** If LVR is greater than 80%, Lenders Mortgage Insurance will be required using Helia as our provider. Required documentation as per the streamline checklist and MSB/AWB Servicing Calculator is to be sent to Helia for approval.

	11.3 Validity of Valuations	**New Loans:**
		Long Form and Short Form Valuations, Desktops and also AVM's are valid for 3 month.
		
		Existing Loans
		Where an increase is required to an existing loan and a formal valuation is held on file, the following is applicable, except for properties within High Risk Category A or Oversupply Postcodes:
		
		• Reliance on the existing formal valuation if the valuation is less than 12 months old or
		• Reliance of the existing formal valuation if the valuation is greater than 12 months and less than 3 years:
		  • where the LVR does not exceed 80% and
		  • where the valuation is supported by an up to date AVM with an estimate of value of not less than the valuation being relied upon, and
		  • has a forecast standard deviation of not greater than 12%.
		
		This approach would not be utilised for any circumstances other than where a formal API valuation is held, and does not apply where, a purchase contract was originally utilised.
		
		The utilisation of the existing valuation would also be underpinned by:
		
		• There being no reasonable cause to question the ongoing validity of the valuation in the market at the time of application.
		
		Valuations PropertyHub – Process for ordering valuations
		The CoreLogic PropertyHub is used to determine the correct valuation type and is not a change to the acceptable LVR's. The HUB evaluates the loan details input with a matrix to determine the most appropriate form of valuation required for the transaction.

	11.4 Ineligible Securities	The following is a list of certain types of securities that are considered ineligible by MSB and AWB. • Contaminated land • Dwellings constructed from unconventional materials (e.g. mud brick, rammed earth, straw bale) • Retirement Village Units / Aged care Facility • Properties without direct vehicle access via public road (Land locked) • Commercial Property Development (more than 2 dwellings in a development)

		• Commercial Usage Properties including speciality rural properties • Security boundary located within 50 metres of high voltage transmission lines • Recreational or special use properties • Converting from another purpose • Transportable or relocatable homes • Hotel/Motel Redevelopment • Properties larger than 40 hectares • Unique Properties • Properties with adverse features or conditions that would impact marketability • Flood affected properties with frequency worse than 1 in 100 year cycle • Mixed Usage Properties including time share properties • Second mortgage security • Income Producing Property (apart from rent), including Student Accommodation, Boarding Houses and dual key properties • Any dwelling or home unit with a living area under 40m2 *excluding* balcony and carpark • Any dwelling or home unit with a living area under 50m2 *including* balcony and carpark • Any dwelling without individual bedroom and bathroom • Off the Plan purchase property in Category A of high risk postcode register • Display Homes – Unless purchase is for Owner Occupied purpose and residential valuation as per vacant possession. • Split contracts where value not allocated to land • Vacant Land (over 2.2 hectares) where LVR is above 80% • Leasehold titles, other than ACT or where lease is held by Federal or State/Territory Government *and* term of lease exceeds loan expiry by more than 10 years. • Company Title or community title • NRAS scheme properties • Any property affected by a life tenancy clause If property is a duplex or similar (two properties on one title) whilst not an ineligible security the LVR is restricted to a maximum 80%.

	11.5 Duplexes/ Multiple dwellings on one property	A duplex, or a property with two dwellings is acceptable security on the condition that the dwellings are on separate titles, or if both properties are on one title, then the valuation of the property is to be 'in one line' and adopted as the security value. The value of the property based on a subdivision being completed when it is not registered will not be acceptable. Granny flats do not need to meet this criteria as long as the dwelling is council approved.
	11.6 High Risk Postcodes and LVR Restrictions	Increased risk has been linked to certain postcodes and to maintain control a register with affected postcodes is available on the Intranet. Restricted postcodes are areas where significant deterioration in credit risk has been observed or is considered to have heightened risk going forward. The following are the restrictions placed on specific postcodes: **Category A:** List of postcodes classified as Volatile or Heightened Risk. A maximum LVR of 70% is to be applied to these postcodes. ****Refer Appendix B for full list of postcodes**
	11.7 Residential Unit/Subdivision concentration limits	Unit concentration limits restrict the maximum number of units in a high rise complex the bank will fund and/or the individual holdings of securities that are in same street/complex. • We will fund no more than 15% of total units in one apartment complex for different borrowers (or up to 4 where development has less than 27 units) • Individual customers will be limited to ownership of no more than 4 units/properties in one development/complex/street.

11.8 Luxury Property Threshold

The establishment of luxury property thresholds applicable to differing property types and geographic locations manages the concentration risk associated with high value properties.

State	Property Value of land, Units, Apartments, Townhouses etc.	Property value of Houses	Maximum LVR if property value above threshold.
NSW/Vic	$3.0M	$4.0M	70%
All other States	$2.0M	$3.0M	70%

It is noted that these represent a guide, and would generally relate to the capital cities in each State. Accordingly they may be tempered and reduced based on the specific location, property type and any adverse valuation ratings identified.

Capacity to lend at a LVR higher than that detailed above will need to be discussed with your BRM to obtain approval.

11.9 Non-arm's Length Transaction /Favourable Sales

This relates to the sale of a property where a registered Real Estate agent is not acting for the vendor and where the vendor is selling the property at a discounted price to a friend, associate or family member. In these instances the below changes to our normal loans policy apply:

Security	LVR calculation and LMI premium (where applicable) is to be based on the valuation figure.
Deposit/Equity	Where the LVR exceeds 80%, the borrower is to contribute 5% genuine savings based on the purchase price.
Additional Requirements	Obtain in writing details of the transaction from the vendor. Ensure the Valuer has noted the purchase price and nature of the transaction.
Other	Loan amount is not to exceed 100% of the purchase/contract price where LVR exceeds 80%.

12. Cash Out / Equity Release Verification Requirements

Applications containing equity release to fulfill conditions of Court Order / Separation Agreement require copy of the relative document to be obtained and held on file to ensure full satisfaction of requirements.

The following table provides cash out guidelines. If any doubt to the accuracy of the purpose of funds exists, the assessing officer will undertake further enquiry:

Amount	Requirements
Up to $350,000	Full disclosure of what the loan proceeds are to be used for is required including a level of granularity to identify specific purpose(s) and must be acceptable under policy.
Over $350,000*	High level detail required in line with the following: • Investment in shares/managed funds – letter from accountant/financial planner stating the purpose/use of funds. • Purchase of property – a copy of executed contract of sale, or a statutory declaration from the applicant stating the details of the proposed property purchase i.e. purpose, amount, LVR, anticipated costs. Funds to be controlled by applicant.

** Additional details may be requested on case by case basis.*

For the purpose of the above table, any redraw included in the borrower's available limit with the existing lender can be included in the refinance, and is not included as cash-out.

Where cash out is for the purpose of purchasing an investment property that is not being taken as security, the use of rental income and/or deductible interest for servicing requires the signed contract for the purchase to be held on file and funds are to be controlled direct to the applicant's conveyancer. Any additional funding contributing to the purchase that is sourced from elsewhere (e.g. from an OFI) must be listed in liabilities.

		Please note: If the cash out is for structural work or major renovations to the security property, then procedure relating to construction loans is to apply. The above cash out procedure does not apply to situations where our security position could potentially be compromised by substandard completion of improvements to the property. In addition, non-structural improvements to an existing residential dwelling held as security (or being taken as security) by MSB and AWB where the finance sought is > $100,000 and does not involve council approval then the applicant will be required to sign a statutory declaration stating: • "The cash out funds will be utilised on improvements of a non-structural basis and do not require council approval" **Please note:** Cash out against land value is not permitted where the purpose of the funds is for construction or improvements to the land.
13. Guarantees and Co-Borrowers		If the borrower is an individual , joint borrower or a small business, when assessing whether they can repay the loan MSB and AWB will do so by considering the appropriate circumstances reasonably known to us about: • Their financial position or • Their account conduct
	13.1 Third Parties	Where reasonable to do so, MSB and AWB may rely on the resources of third parties available to the borrower, provided that the third party has a connection to the borrower. For example, where the third party is a related entity of the borrower, (including but not limited to the directors, shareholders, trustees, beneficiaries or related body corporates), or is a partner, joint venturer, or guarantor of the borrower. We also owe an obligation to any guarantor of the loan to comply with the above paragraph in assessing the borrower's ability to repay the loan. If income from an unrelated third party is required to demonstrate servicing, a guarantee from these entities is required to capture the income stream.

Third party income includes the following:

- Company addbacks and undistributed profit.
- Trust Distributions to beneficiaries who are not a party to the loan.
- Individuals whose income we are relying on to demonstrate servicing.

The following table outlines when a third party guarantee is required:

Income source	Guarantee
• Income stated on applicants personal tax returns, or • Proposed or existing rental in the name of applicants (not trust asset income), or • Addbacks or undistributed profit from a company or other entity, and the where director(s) are the applicants.	No guarantee required from related entities.
Trust distributions to adult or company beneficiaries of a Trust who are not a party to the loan.	Guarantee required from the beneficiary/company.
Use of an individual's income who is not a party to the loan	Guarantee required from the individual.

- Should addbacks and/or income from related entities be used to demonstrate servicing, all loan commitments for those entities are to be included in the servicing calculation to ensure the income relied upon for servicing is available. Refer to '9.1 Self-employed Income for parameters.

	13.2 Co-Borrowers/ Joint Borrowers	The co-borrower/joint borrower must receive a substantial benefit from the loan. MSB and AWB will not approve the applicant as a co-borrower/joint borrower unless we: • Have taken reasonable steps to ensure that the co-borrower/joint borrower understands the risks associated with entering into the loan and understand the difference between being a co-borrower/joint borrower and a guarantor; • Have taken into account the reasons why the applicant wants to be a co-borrower/joint borrower; and • Are satisfied that the co-borrower/joint borrower is not experiencing financial abuse. **For Owner Occupied loans, it is a requirement that all applicants reside in the property as their principal place of residence.** **Non-spousal co-borrowers**: MyState and Auswide will consider applications from: • Parent / child • Sibling / sibling The following applies: • Property ownership must be equal (tenants in common with equal shares or joint tenants). • Payout of personal debts not in the name of all applicants will not be considered. • Equity release (other than for improvements to the jointly held property) not permitted. • If one of the applicants is considered to be vulnerable (e.g. including but not limited to disability or age at loan origination exceeding government pension age) then independent legal advice from that applicant will be required. Co-borrower/joint borrower must receive a substantial benefit from the loan by an equitable interest in assets purchased or repayment of debts or obligations owed by both parties. The lenders must take into account the reasons for accepting a co-borrower/joint borrower, must convey the risks involved with

being a co-borrower/joint borrower and also be satisfied the co-borrower/joint borrower is not experiencing any coercion or financial abuse.

A substantial benefit as defined by the Australian Banking Association in the Banking Code of Practice includes where the borrower acquires a reasonably proportionate legal or equitable interest in assets purchased with the loan funds; or a reasonable portion of the loan funds are used to repay their debts, or other obligations owed by the borrower.

For the purposes of this policy, a borrower will be deemed to receive a substantial benefit where they hold an equal share in the ownership of the property and equal benefit from the loan purpose.

Please refer to the following examples to help demonstrate whether or not a borrower will receive a substantial benefit:

Loan Purpose	How will the loan funds be used?	Is there a Substantial Benefit?	Co-Borrower Eligibility?
Purchase An Owner Occupied Property	A borrower is purchasing a house with their partner and each borrower will own 50% of the property	Yes	Yes
Purchase An Owner Occupied Property	A borrower is purchasing a house with their partner and the borrower will be living in the property with their partner	Yes (Substantial Benefit is established by "use" of living in the property)	Yes
Purchase An Owner Occupied Property	A borrower is purchasing a house jointly with others but will not be living in the house	No	No
Refinance credit card debt	A borrower is refinancing their own credit card debt	Yes	Yes
Refinance credit card debt	A borrower is refinancing someone else's credit card debt	No	No

Cash out for a holiday	A borrower and their partner are going on holidays and the loan funds will be used to finance the borrower's share of holiday expenses	Yes	Yes
Purchase an investment (property or shares)	Spouse/Defacto wish to co-borrow for investment (either property or shares), however, the asset will be owned by only one (1) borrower and not be for their joint use	No	No

In the following circumstances the co-borrower/joint borrower may end their liability under the loan by giving MSB/AWB a written request to do so:

- Where credit has not been provided or relied upon by any co-borrower/joint borrower; or
- For any future advances under the loan, where MSB/AWB can terminate any obligation we have to extend further credit to any other co-borrower/joint borrower under the same loan.

The above does not apply to borrowers who are trustees, companies, directors of co-borrower/joint borrower companies or partners in a partnership or joint-venture arrangement.

13.3 Guarantors

MyState and Auswide will not accept new loan applications that require a guarantee, other than guarantees to capture income under a company or trust structure for self-employed consumer borrowers where required.

If the applicant is an individual who gives a guarantee and/or indemnity to secure a loan that MSB or AWB give to another individual or small business, and ABA Banking Code applies to the loan, then the following applies to the guarantee and/or indemnity:

Limitation of Guarantee
The Guarantee will be limited to:

- a specific amount and/ or category of amounts such as all amounts owing under a specific loan, plus other liabilities and amounts as described in the Guarantee (for example, interest and recovery costs); or
- the value of a specified property or other assets under a specified mortgage or other security at the time of recovery.

Terms and Conditions of the guarantee

Before accepting a guarantee, MSB and AWB will give the guarantor the terms and conditions of the guarantee, which will contain a prominent notice that the guarantor should seek independent legal and financial advice.

Acceptance of Guarantee

MSB and AWB will not accept a guarantee from the guarantor until the third day after the guarantor has been given the guarantee document and any other required information.

Signing the Guarantee

MSB and AWB will give the guarantee documents directly to the guarantor or their representative. MSB and AWB will not give the guarantee documents to the borrower, or to someone acting on behalf of the borrower, to arrange for the guarantor to sign the guarantee.

If MSB or AWB is attending the signing of the guarantee, we will ensure that the guarantor sign the Guarantee in the absence of the borrower.

During the guarantee

The guarantor may write to MSB or AWB to limit, or further limit the liabilities the guarantor has guaranteed under the guarantee. However, MSB or AWB do not have to accept the guarantor's request if:

- the amount, or nature, of the limit the guarantor requests does not cover the borrower's existing liability (plus any interest owed, or any fees, or charges that MSB or AWB may incur in respect of that liability) under the relevant loan contract at the time;
- MSB or AWB are obliged to make further advances to the borrower; or

- MSB or AWB would be unable to preserve the current value of an asset which is security for the loan without making further advances.

Extending the guarantee

MSB and AWB will not extend an existing guarantee if the borrower obtains a new loan, requests an increase in limit or has other changes made to a loan that is covered by an existing guarantee. If this occurs a new guarantee will need to be obtained.

Withdrawing the guarantee

The guarantor may, by written notice to MSB/AWB, withdraw from the guarantees:

- at any time before MSB or AWB provides credit under the relevant loan; or
- after credit is first provided, if the signed version of the relevant loan differs in a material respect from the proposed loan MSB or AWB gave the guarantor before the guarantor signed the Guarantee.

This does not apply for any change to the loan described under extending the guarantee however, the guarantor may do so only to the extent of the obligations under the guarantee.

Ending the guarantee

The guarantor may end their liability under a guarantee they have given to MSB or AWB by paying us the lower of:

- the borrower's outstanding liability, including any future or contingent liability; or
- the amount to which their guarantee of the borrower's liability is limited under the guarantee; or
- making other arrangements MSB or AWB agree to in return for releasing them from their guarantee.

14. Construction Loans		MyState and Auswide will only look to provide finance to construct residential buildings where the construction is underpinned by a fixed price contract with a registered builder.
		
		Owner Builder constructions or building on a "cost plus" or other basis will not be considered.
		
		Construction loans are not available for properties in South Australia or Northern Territory.
		
		Construction loans in Western Australia are subject to the following conditions:
		• Maximum LVR 80%
		• Maximum construction cost (including out of contract items) $500,000
		• Restricted to the following builders:
		  ○ Home group WA
		  ○ ABN Group
		  ○ Summit Homes Group
		  ○ Scott Park Group
		  ○ JWH Group
		
		The following applies to all construction loans:
		• A single construction contract is required.
		• A formal valuation is required initially with an 'on completion' value.
		• The borrower is to contribute their own funds at the initial settlement stage before any loan funds are drawn. Client is to be advised of this at approval.
		• **Release of funds (including LMI premium and any fees) against unimproved vacant land (prior to construction) must not exceed the approved LVR of the application.**
		• Buildings under construction are to be covered by insurance and evidence of the cover noting MyState or Auswide interest as First Mortgagee is to be held. This policy must be obtained before settlement.
		• Exception - where there is delay between funding of the land acquisition and the commencement of construction. It is the responsibility of the submitting/processing officer to obtain evidence in these instances.

		• Construction is to be completed within 12 months from the first draw down. • The LVR after a release of a progress payment is not to exceed the approved LVR %. • Certificate of Currency, Certificate of Occupancy and final valuation confirming all works contracted have been completed by the builder are required prior to the last draw down. • At final drawdown, the loan will be transferred to an applicable Interest only product for the remainder of the initial 12 months Interest only period and upon expiry will then be transferred to P&I.
	14.1 Fixed Price Contract	Fixed price construction loans are where a builder is contracted to build and complete the dwelling. The contract will be noted on a standard HIA approved or similar contract. Applicant is to provide the following additional documents for construction loans with fixed price contracts: • An executed copy of the building contract • A copy of council approved plans and specifications – Required prior to first progress payment. The only exception to not obtaining these documents is in the instance where there is significant time between the settlement of the land component and entering into a contract with a builder. Lending to fund building contracts where a "rise and fall" clause is present, or other such clauses or structure that affects the fixed price nature of the contract will require the following: • Maximum LVR of 70% • Servicing must be demonstrated with an additional loan included in calculations representing 15% of the total price of the building contract.
	14.2 Progress Payments	Progress payments are: • To be made in line with the schedule of payments within the fixed price contract. • If Council Approved Plans were not provided for initial 'As if Complete' valuation then 'Progress' valuation to be noted that "Council Approved Plans have been received and verified they are in

accordance with the draft construction documents supplied and relied upon in the construction 'As If Complete' valuation.

- If the valuer notifies that the build progress does not match the initial TBE report the ValFirm will advise and request authorisation to amend original 'As If Complete' valuation and then subsequently issue the 'Progress' valuation.
- Any variation from the original 'As If Complete' valuation will require the loan to be re-assessed by the original lender/underwriter to confirm that changes do not affect the approved loan. Variations are:
  - LVR increases to above 80%
  - Variance between valuations of greater than 5%
- To be authorised by the borrower(s) stating that the work has been completed and is to a satisfactory standard of quality. The borrower must have the capacity to inspect, or may delegate to a suitably qualified expert (such as a valuer or quantity surveyor).

MyState and Auswide reserve the right to withhold monies from the final payment to the builder where the Valuer's Report for the final claim reveals non-completion or irregularities.

External progress payment inspections are to be undertaken in the following circumstances as a minimum, and at other times as determined by the CRO:

Fixed price contract under $500,000 (including FHOG applications)	▪ Base Stage ▪ Lock-up ▪ On completion
Fixed price contract over $500,000 (including FHOG applications)	▪ All stages

The final progress draw should not be made until the Certificate of Occupancy is obtained.

A copy of all draw down requests is to be held on the loan file.

Progress payments on a cumulative basis are not to exceed the values in the following tables:

Timber frame construction:

MBA

5%	Deposit
15%	Siteworks
25%	Base
50%	Frame
60%	Enclosed
70%	Rough in
85%	Fitout
92%	Fixtures

HIA

5%	Deposit
25%	Base
50%	Frame
70%	Lockup
92%	Fixing

Double brick construction:

5%	Deposit
25%	Base
50%	Plate Height (brickwork)
70%	Roof Cover
80%	Lock Up
92%	Fixing

Modular Homes:

For **modular homes** which are constructed off site, drawdowns will only be acceptable for works that are permanently affixed to the site. **Prior to fixing stage, calculated LVR will be based on unimproved land value only.**

		Initial payments for modular homes are restricted to Base/Footings stage, with progress inspection required before payment of fixing stage to confirm that the home is permanently affixed with plumbing and electrical completed.
	14.3 Renovations	Renovations to existing property require clearly defined progress payments in the building contract and valuer is to comment that percentages are in line with industry standard for scope of the works. Drawdowns will be based on withholding sufficient funds to complete at each stage without requirement for progressive LVR calculation.

	14.4 Borrower/ Builder Relationship	Fixed Price contracts where the building entity is a direct relation to the borrower are classified as an Owner Builder. Fixed price contracts which are not 'arm's length' are not acceptable.
		Direct relation is defined as:
		• The applicant is a director/shareholder of the building entity
		• The applicant is part of the immediate family of the ownership of the building entity. Immediate family is defined as:
		  • Parent/ Grandparent
		  • Child
		  • Sibling

15. Foreign Income Loans		MyState or Auswide will not accept consumer applications for finance where the applicant is not living and working in Australia or is reliant to any extent on income derived from overseas in servicing assessment.
16. Loan Maintenance/ Variations		MSB and AWB allows variations to existing loans for the following: **1. Variable Rate to Fixed Rate or Fixed Rate to Variable Rate requests:** Requests for switches between variable and fixed rates may be processed without referral as long as the original contracted term is not being altered. This is subject to the constraints of IO if applicable. **2. Principal and Interest to Interest Only or Interest Only to Interest Only requests:**

A full assessment of affordability over the remaining P&I term is required. (Current term - proposed Interest Only period)
The following is to be obtained from client:

- Signed request received from client (MyState or Auswide document used for this purpose)
- Balance sheet outlining assets and liabilities to be obtained
- Income details to be obtained from client

A servicing calculation is to be undertaken with information provided to ensure client can meet all commitments and loan repayment over the remaining P&I term as per the contract.

If…	Then…
Servicing is evident over remaining P & I term including all commitments	Request may be processed without referral
Servicing cannot be demonstrated over remaining P&I term including all commitments	The request is to be declined

3. Interest Only to Principal and Interest request

Requests may be processed without referral as long as the original contracted term is not being altered.

17. Appendix A – LVR and DTI Requirements

LVR Restrictions based on DTI:

Owner Occupied & Non-Housing		
DTI	LVR Restriction	Surplus requirements
Below 5	No restriction	As per policy
5 to below 6	80% Maximum LVR (inclusive of LMI)	As per policy
6 to below 7	80% Maximum LVR (inclusive of LMI)	$200 per month
7 to below 8	75% Maximum LVR (inclusive of LMI)	$200 per month
8 or above	Not accepted	N/A

Residential Investment		
DTI	LVR Restriction	Surplus requirements
Below 6	No restriction	As per policy
6 to below 7	90% Maximum LVR (inclusive of LMI)	$200 per month
7 to below 8	75% Maximum LVR (inclusive of LMI)	$200 per month
8 or above	Not accepted	N/A

Owner Occupied Purchase†						
Loan Purpose	**Loan Type**	**Property Zoning**	**Repay Basis**	**Max LVR Uninsured**	**Max LVR inclusive of LMI**	**Minimum Surplus Required**
Purchase	Owner Occupied	• Residential • Rural <10Ha with Residential primary use	P&I	80%	95% + LMI premium** capped at 100% total (90% + LMI for Vacant Land)	$50 per month. $200pm required if LVR > 90%
Purchase	Owner Occupied	• Residential • Rural <10Ha with Residential primary use	IO	80%	Not Available above 80% LVR	$50 per month
Purchase (Aus Gov't 5% Deposit Scheme)	Owner Occupied	• Residential • Rural <10Ha with Residential primary use	P&I	N/A	95% (General Stream) 98% (Single Parent Stream)	$200 per month
Purchase	Owner Occupied	Rural (Property >10 ha)	P&I	70%	90% plus LMI premium	$50 per month. $200pm required if LVR > 90%
Purchase	Owner Occupied	Rural (Property >10 ha)	IO	70%	Not Available above 80% LVR	$50 per month

Owner Occupied Refinance* (without equity release or cash out)						
Loan Purpose	**Loan Type**	**Property Zoning**	**Repay Basis**	**Max LVR Uninsured**	**Max LVR inclusive of LMI**	**Minimum Surplus Required**
Refinance	Owner Occupied	• Residential • Rural <10Ha with Residential primary use	P&I	80%	95% + LMI premium** capped at 100% total (90% + LMI for Vacant Land)	$50 per month. $200pm required if LVR > 90%
Refinance	Owner Occupied	• Residential • Rural <10Ha with Residential primary use	IO	80%	Not Available above 80% LVR	$50 per month
Refinance (Aus Gov't 5% Deposit Scheme)	Owner Occupied	• Residential • Rural <10Ha with Residential primary use	P&I	N/A	95% (General Stream) 98% (Single Parent Stream)	$200 per month
Refinance	Owner Occupied	Rural (Property >10Ha)	P&I	70%	90% plus LMI premium	$50 per month. $200pm required if LVR > 90%
Refinance	Owner Occupied	Rural (Property >10Ha)	IO	70%	Not Available above 80% LVR	$50 per month

†Purchase Price used for LVR calculation where supported by AVM

*Dollar for dollar plus reasonable costs.

**Rural/ rural residential properties limited to 95% LVR total

Investment Purchase†						
Loan Purpose	Loan Type	Property Zoning	Repay Basis	Max LVR Uninsured	Max LVR inclusive of LMI	Minimum Surplus Required
Purchase	Investment	• Residential • Rural <10Ha with Residential primary use	P&I	80%	95%	$50 per month $200pm required if LVR > 90%
Purchase	Investment	• Residential • Rural <10Ha with Residential primary use	IO	80%	90% plus LMI premium	$50 per month $200pm required if LVR > 90%
Purchase	Investment	Rural (Property >10Ha)	P&I	70%	90% plus LMI premium	$50 per month $200pm required if LVR > 90%
Purchase	Investment	Rural (Property >10Ha)	IO	70%	90% plus LMI premium	$50 per month $200pm required if LVR > 90%

Investment Refinance* (without equity release or cash out)						
Loan Purpose	Loan Type	Property Zoning	Repay Basis	Max LVR Uninsured	Max LVR inclusive of LMI	Minimum Surplus Required
Refinance	Investment	• Residential • Rural <10Ha with Residential primary use	P&I	80%	95%	$50 per month $200pm required if LVR > 90%
Refinance	Investment	• Residential • Rural <10Ha with Residential primary use	IO	80%	90% plus LMI premium	$50 per month $200pm required if LVR > 90%
Refinance	Investment	Rural and property >10Ha	P&I	70%	90% plus LMI premium	$50 per month $200pm required if LVR > 90%
Refinance	Investment	Rural (Property >10Ha)	IO	70%	90% plus LMI premium	$50 per month $200pm required if LVR > 90%

†Purchase Price used for LVR calculation where supported by AVM

*dollar for dollar plus reasonable costs

Equity Release or Cash Out						
Loan Purpose	**Loan Type**	**Property Zoning**	**Repay Basis**	**Max LVR Uninsured**	**Max LVR inclusive of LMI**	**Minimum Surplus Required**
Equity Release or Cash Out	Owner Occupied	• Residential • Rural <10Ha with Residential primary use	P&I	80%	90% plus LMI premium	$50 per month $200pm required if LVR > 90%
Equity Release or Cash Out	Owner Occupied	• Residential • Rural <10Ha with Residential primary use	IO	80%	90% plus LMI premium	$50 per month $200pm required if LVR > 90%
Equity Release or Cash Out	Owner Occupied	Rural (Property >10Ha)	P&I	70%	90% plus LMI premium	$50 per month. $200pm required if LVR > 90%
Equity Release or Cash Out	Owner Occupied	Rural (Property >10Ha)	IO	70%	80%	$50 per month
Equity Release or Cash Out	Investment	• Residential • Rural <10Ha with Residential primary use	P&I / IO	80%	90%	$50 per month
Equity Release or Cash Out	Investment	Rural (Property >10Ha)	P&I / IO	70%	90%	$50 per month

Construction						
Loan Purpose	**Loan Type**	**Property Zoning**	**Repay Basis**	**Max LVR Uninsured**	**Max LVR inclusive of LMI**	**Minimum Surplus Required**
Construction*	Owner Occupied	• Residential • Rural <10Ha with Residential primary use	IO	80%	90% plus LMI premium	$50 per month. $200pm required if LVR > 90%
Construction*	Owner Occupied	Rural (Property >10Ha)	IO	70%	90% plus LMI premium	$50 per month. $200pm required if LVR > 90%
Construction*	Investment	• Residential • Rural <10Ha with Residential primary use	IO	80%	90% plus LMI premium	$50 per month
Construction*	Investment	Rural (Property >10Ha)	IO	70%	90% plus LMI premium	$50 per month

* Construction not available for Housing Australia Scheme loans.

Other						
Loan Purpose	Loan Type	Property Zoning	Repay Basis	Max LVR Uninsured	Max LVR inclusive of LMI	Minimum Surplus Required
Serviced Apartment	Owner Occupied Investment	Residential	P&I	50%	50%	$200 per month

High Risk Postcodes - Refer Appendix B						
Loan Purpose	Loan Type	Property Zoning	Repay Basis	Max LVR Uninsured	Max LVR inclusive of LMI	Minimum Surplus Required
Category A	Owner Occupied	Residential	P&I / IO	70%	90%	$50 per month
Category A	Investment	Residential	P&I / IO	70%	90%	$50 per month

Off the Plan Purchases						
Loan Purpose	Loan Type	Property Zoning	Repay Basis	Max LVR Uninsured	Max LVR inclusive of LMI	Minimum Surplus Required
Category A High Risk Postcode	Owner Occupied	Residential	P&I / IO	Not Available	Not Available	Not Applicable
Category A High Risk Postcode	Investment	Residential	P&I / IO	Not Available	Not Available	Not Applicable
All other off the plan	Owner Occupied	Residential	P&I	70%	90%	$50 per month
All other off the plan	Owner Occupied	Residential	IO	70%	80%	$50 per month
All other off the plan	Investment	Residential	P&I	70%	90%	$50 per month
All other off the plan	Investment	Residential	IO	70%	90%	$50 per month

18. Appendix B – High Risk Postcode Register

Category A									
2835	2880	4413	4415	4455	4615	4680	4715	4716	4717
4718	4719	4720	4721	4722	4723	4737	4741	4742	4743
4744	4745	4746	4804	4805	4825	4874	5722	5725	6225
6429	6430	6432	6440	6442	6713	6714	6718	6720	6721
6722	6728	6751	6753	7255	7256	7467	7469		

** Please discuss with your BRM any properties located on an island without sealed road connection to the mainland.
Island must be an established and populated residential area, be within reasonable proximity of all services and have good accessibility.
Maximum 70% LVR applies.

19. Appendix C - Australian Government 5% Deposit Scheme (MyState Bank only)

The Australian Government 5% Deposit Scheme is available via MyState Bank only (not offered by Auswide bank)

Section 1: How the scheme works

Section 2: Price Cap Area Identification

Section 3: Application process

Section 4: Eligible Home Buyers

Section 5: Eligible Loans (General Stream and Single Parent Stream)

Section 6: Release of the Guarantee

Section 7: Switching between schemes

Section 8: Refinanced Guaranteed Loans

Section 1: How the Schemes works:

The Australian Government 5% Deposit Scheme is an Australian Government initiative to support eligible home buyers purchase their first home sooner.

MyState mortgage procedure is to be used for assessment of serviceability and approval of all loans that meet the scheme eligibility guidelines.

Although the scheme offers a guarantee for an LVR greater than 80% MyState's current policies for LVR acceptance is to be followed and if property is unable to be accepted at 80% (such as rural, high risk postcodes, etc.) then application is unable to proceed unless alternative property is provided.

Usually home buyers with less than a 20 per cent deposit need to pay lenders mortgage insurance. Under the Scheme, eligible home buyers can purchase a modest home with a deposit of as little as 2% or 5% depending on which scheme is applicable. (Lenders criteria also apply). This is because the Australian Government 5% Deposit Scheme guarantees to MyState up to either 15% or 18% of the value of the property purchased that is financed by an eligible home buyer's home loan. There are 2 options available under the scheme:

- General Stream – to assist eligible home buyers to build or purchase their first home with a deposit of at least 5%.
- Single Parent Stream – to assist eligible single parents with dependents in purchasing a home with a deposit of at least 2% (borrower may have previously owned property).

Where an applicant is eligible to participate in the Single Parent Stream, the applicant should be prioritised into the Single Parent Stream over the General Stream.

Additional information of the scheme rules are as follows:

1. The residential property acquired through the loan must be for owner occupation. *(An investment loan for the purchase of an investment property is not an eligible loan under the Australian Government 5% Deposit Scheme)*.
2. The loan-to-value ratio of the loan must be between 80% and either 95%or 98%.
3. The loan must have regular Principal and Interest repayments for the full period of the loan.
4. Where the loan relates to the purchase of an interest in land on which a dwelling is to be built, a loan may be an eligible loan where it allows interest-only payments in the period of construction of the new dwelling. (*This period is provided in the terms of the loan agreement that the lender enters into with the borrower. At the conclusion of the interest only period, the terms of the loan agreement must require repayments of the principal of the loan and the payment of interest for the remaining period of the agreement).*
5. The applicants represents to MyState that they intend to commence their residence of that Eligible Property:
    - *for an Established Dwelling or a New-Build Dwelling under an Off-the-Plan Arrangement:* within 6 months of the Loan Settlement Date; *or*
    - *for a New-Build Dwelling under either a House and Land Package or a Land and Separate Contract to Build Home:* within 6 months of the date that an occupancy certificate is issued for that New-Build Dwelling.
6. The applicants must reside in the Eligible Property for so long as the relevant Eligible Loan is a Scheme-Backed Loan.
7. The loan must have a term of no more than 30 years: and
8. The value of the residential property at the time the loan is entered into must not exceed the relevant price cap in the area where the property is located.

IMPORTANT INFORMATION:

1. **There are no Top-ups allowed for any loans written under the scheme**

2. **Where a valuation returns a market value that is lower than the purchase price we will be unable to proceed unless the applicant negotiate the purchase price down to the market value shown on the valuation.**

Section 2: Price Cap Area Identification

The Australian Government 5% Deposit Scheme is only available for the purchase of a home, or the purchase of land and construction of a home in Australia. Dwelling price caps apply on a regional basis to restrict the value of properties that may be purchased, or the on-completion value of new residential premises.

To confirm the price cap for the property to be purchased the following link is to be used and the suburb is to be entered.

https://www.housingaustralia.gov.au/support-buy-home/property-price-caps

Section 3: Application process

1. When application is received for processing the following is required for application to proceed:
   - Verification checklist.
   - First Home Owner Buyers Declaration form.
   - Confirmation documents for proof of Australian Citizenship or permanent residency as per scheme.
   - Confirmation of dependent children and single status for Single Parent Stream.

2. Underwriter is to confirm the following:
   - Declaration has been signed by all applicants.
   - Genuine savings documentation provided and verified by bank statement.
   - LVR meets scheme guidelines.
   - Purchase price must not exceed the maximum price cap for the requested suburb. (verified to Housing Australia Website)
   - Checklist completed

3. Final Assessment

After completion of the assessment and application has been approved the following exception codes are required to be overridden by DLA2:

- SB1 – This code is just to be used for Australian Government 5% Deposit Scheme loans and is mandatory to be included and overridden as will be utilised for reporting to appropriate regulators and Housing Australia.
- LMI not chosen on loan over 80% LVR – This will automatically be produced by LendFast and will require an override to continue.

Please note: The completion of the SB1 exception code is mandatory and if not completed will be audited against the approving underwriter.

Section 4: Eligible Home Buyers (General Stream and Single Parent Stream)

The Australian Government 5% Deposit Scheme is only available where at the time the home loan agreement is entered into the applicants meet the following:

1. Must aged at least 18 years or older at the time of entering into the loan agreement and either an Australian citizen or a Permanent Resident.
    - Proof of Citizenship to be provided using following documentation:
        - If born in Australia:
            - (1) an Australian Birth Certificate issued by the Registry of Births, Deaths & Marriages, or
            - (2) a current Australian passport.
        - If born overseas:
            - (1) an Australian citizenship certificate, or
            - (2) a current Australian passport.
    - Proof of permanent residency to be provided using the following documentation:
        - If a holder of an Australian Permanent Residency Visa:
            - VEVO search results which confirm that the borrower holds a Permanent Resident visa and can remain in the country indefinitely. **Note: The Lender Guide should be referred to for more information on the current categories of Permanent Resident visas.*
        - If a holder of an ImmiCard:
            - Electronic copy of a Visa record from the Department of Home Affairs and evidence that they can remain in the country indefinitely.

2. Applications can be in a single name or a maximum two names if the applicants are legally married or in a de-facto relationship (Single Parent Stream application can only be in single name) and all applicants must be an eligible home buyer (or an Eligible Single Parent or Eligible Single Legal Guardian for Single Parent Stream). An applicant is not an eligible home buyer if at the time of entering into the loan they have owned an interest in Australian land in the last 10 years from the date a loan agreement is entered into *(for Single Parent Stream they must not **currently** hold an interest in Australian Land, or upon settlement of the guaranteed property they're buying, not intending to own a separate property)* comprising the following:
    - A freehold interest in real property in Australia
    - An interest in a lease of land in Australia with a term of 50 years (or more), or
    - A company title interest in land in Australia.

    Prior to issuance of the guarantee, MyState must verify if prior ownership has been held. To achieve this, MyState must obtain and review a comprehensive or complete credit report of each applicant to identify whether the applicant has previously had a mortgage and review an applicant(s) transactional data to identify any property related expenses, such as council rates, that would indicate in the applicant not being an eligible home buyer.

3. Applicants must have a deposit of at least 5% (2% for Single Parent Stream) and up to (but less than) 20% of the Value of the property being acquired. The deposit must be from genuine savings and will need to be verified. The genuine savings must be utilised in the transaction for favourable purchases of property.

    As per mortgage policy, genuine savings can be from the following sources:
    - Funds held or accumulated in savings accounts for three months or more
    - First Home Saver Account or First Home Super Saver Scheme (initiative by the Australian Government)
    - Term deposits held for three months or more
    - Shares held for no less than the last three months
    - Accelerated loan repayments – where savings have been sacrificed by making accelerated loan repayments over the last three months, the amount of the excess repayments, can be accepted in lieu of genuine savings.

    If the applicant is unable to show genuine savings but they are renting and can show 3 months rental ledger proving rent paid then the following can be accepted as genuine savings to contribute to the savings/deposit requirement:

- Lump sum payments such as bonuses, tax refunds and proceeds from sale of assets, can be accepted
- First Home Owner Grants (FHOGs) can be accepted
- Gifts from family provided a Statutory Declaration is provided confirming that the funds are a gift.

Please note:

- Funds cannot be borrowed (i.e. personal loans, credit cards or loans from family members)

All funds required to complete the purchase transaction (deposit plus settlement disbursements minus the FHOG), must be evident at the time of application.

4. **Retained Savings**:

Applicants are required to contribute as much of their own savings to the application to provide the lowest LVR possible.
Savings held by the borrower post-settlement must not exceed the following maximum limits:

- up to six (6) months of expenses used for serviceability; and
- up to six (6) months of scheduled loan repayments.

Additional buyer information for Single Parent Stream:

The Single Parent Stream is aimed at assisting single parents and or single legal guardians with at least one dependent child to purchase a family home. The Single Parent Stream policy requires lenders to verify that the applicant is an eligible single parent or eligible single legal guardian under the scheme rules.

1. For eligible single parents or eligible single legal guardians under the Single Parent Stream:
    a. MyState must take reasonable steps when undertaking verification of this eligibility. Such steps being dependent on the varying circumstances of the particular applicant.
    b. Satisfaction of the eligibility requirement must be confirmed by the MyState at the pre-approval stage in the portal and the eligibility must remain current as at the loan agreement date.
    c. Once a Guarantee Certificate has been issued, there is no requirement for a MyState to continue to monitor the eligibility of the single parent and dependant status.

Verification of the eligibility for the borrower to be noted as single is by the following:

- At pre-approval stage MyState must tick the check box within the portal stating the borrower has confirmed the following:
  - the borrower does not have a spouse and
  - the borrower does not have a de facto partner.
- Prior to making the Guarantee Certificate application we must evidence the above by providing a duly completed and signed Home Buyer Declaration which confirms the borrower does not have a spouse or a de-facto partner.

Examples of documents MyState could obtain to confirm the borrower does not have a spouse and is not in a de facto relationship are;

- If the person has been previously married but is now divorced – a copy of a final Divorce order from the Family Court of Australia (or relevant overseas body);
- If the person's spouse has died – a copy of the deceased spouse's Death Certificate;

MyState may also wish to review bank statements to determine whether the borrower has a joint bank account with another adult or is contributing to the expenses of another adult.

Note that a person who is separated but not yet divorced is NOT eligible under Single Parent Stream as that person still has a spouse.

2. The applicant must have at least one dependent child. A person is a dependent child of a second person (the adult) if:
   a. the adult is a natural or adoptive parent of the person; and either
      i. the person is a dependent child of the adult within the meaning of section 5 of the Social Security Act 1991 (refer last 2 pages of this appendix for definitions within the act) or
      ii. meets the following:
         - the person is at least 16, but is under 22 years of age; and
         - is in receipt of a disability support pension; and
         - lives with the adult.

Verification of borrower having at least one dependent is by the following:

- At pre-approval stage the lender must tick a check box within the portal stating the borrower has confirmed the following:
  - it is the natural or adoptive parent of the person, and

  - either the person is a dependent child of the borrower within the meaning of section 5 of the Social Security Act 1991 (refer last 2 pages of this appendix for definitions within the act) or
  - the person is at least 16 , but under 22 years of age, is in receipt of a disability support pension and lives with the adult.
- Acceptable documents to evidence that the borrower is the natural or adoptive parent of a child:
  - Current year's tax return (Question IT8).
  - If the adult is a natural parent then the child's birth certificate. The certificate should note the adult as the natural parent and must include the date of birth of the child; and
  - If the adult is an adoptive parent then the formal adoption order or other documentation showing that the adult has adopted the child legally.
- Prior to making the Guarantee Certificate application, we must evidence the above by providing a duly completed and signed Home Buyer Declaration which confirms the borrower is the natural or adoptive parent of a person, and
  - either the person is a dependent child of the borrower within the meaning of section 5 of the Social Security Act 1991 (refer last 2 pages of this appendix for definitions within the act) or
  - the person is at least 16, but under 22 years of age, is in receipt of a disability support pension and lives with the adult.

Other examples of documents MyState could use to establish that the borrower is responsible for one or more dependent children are:

- If the borrower is divorced – a Consent Order made by the Family Court (a Consent Order is a parenting order made by the Court with the consent of the parties, and can be interim or final);
- Centrelink documentation that is addressed to the borrower showing that the borrower is receiving a benefit for, or as a result of having, a dependent child (note this should be paired with evidence of the dependent child's age should the documentation not have that detail);
- Centrelink documentation that details the care arrangement for the dependent child (note this should be paired with evidence of the dependent child's age should the documentation not have that detail);
- in the case of a person who has reached 16 years of age but is under 22 years of age and is in receipt of a disability support pension, Centrelink documentation evidencing payment of that pension in respect of that person to an address which is the same as the borrower's address (i.e. to establish that the person is both receiving the pension and lives with the borrower)

MyState may also wish to review bank statements to determine whether the borrower is paying expenses and outgoings related to the dependent child.

Section 5: Eligible Loans (General Stream and Single Parent Stream)

An eligible loan can be issued to *'Eligible Home Buyers'* and must satisfy the requirements of the general criteria or the refinancing criteria. It will also be required to meet any further criteria or processes established by Housing Australia.

An eligible loan must be for the purchase of an eligible residential property with the following features at the time the loan is entered into:

1. Established Dwelling.
2. New-Build Dwelling.
3. A House and Land Package **- Not currently available from MyState Bank**
4. Land together with a separate contract (concurrent) to build a home **- Not currently available from MyState Bank**
5. An Off-the-Plan apartment or townhouse **- Not currently available from MyState Bank**

1. *Established Dwelling means a Residential Property which:*
    - may be legally occupied as at the Loan Settlement Date; and
    - in the case of a property which is to be purchased using a loan which is to be the subject of;
        - a General Stream is purchased under a contract of sale dated no earlier than 1 January 2020; or
        - a Single Parent Stream, is purchased under a contract of sale dated no earlier than 1 July 2021; or
        - a Regional First Home Buyer Guarantee, is purchased under a contract of sale dated no earlier than 1 October 2022

    And, to avoid doubt, does not include any Residential Property that is:
    - purchased under an Off-the-Plan Arrangement; or
    - a Newly Constructed Dwelling.

2. *New-Build Dwelling means a Residential Property that is to be newly constructed as part of:*
    - a House and Land Package. **Not currently available from MyState Bank**
    - a concurrent Land purchase and Contract to Build Home. **Not currently available from MyState Bank**
    - an Off-the-Plan Arrangement. **Not currently available from MyState Bank**

3. *House and Land Package means a house and land package relating to Residential Property where, prior to the Loan Settlement Date, the Eligible Borrower has entered into:* **Not currently available from MyState Bank**
    - a contract of sale for the purchase of the land upon which the Residential Property will be affixed; and

- an Eligible Building Contract (either as part of the contract of sale for the purchase of the relevant land or as a separate stand-alone contract),

and the contract of sale and Eligible Building Contract are entered into by the Eligible Borrower with the same counterparty (or counterparties from the same corporate group).

4. *Land and Separate Contract to Build Home means an arrangement to purchase land and separate contract to build a home relating to Residential Property where the Eligible Borrower has: (Contract to Build must be held at time of approval.)*

Not currently available from MyState Bank

Newly Constructed Dwelling means a Residential Property which:

- may be legally occupied as at the Loan Settlement Date; and
- Construction Completed on or after 1 January 2020.

It includes a Dwelling:

- that, prior to entering into a contract of sale, was:
  - Built to Replace a Demolished Dwelling; or
  - A Substantially Renovated Dwelling;
- But does not include any Residential Property that is purchased under an Off-the-Plan Arrangement.

Eligible General Stream and Single Parent Stream Construction Loan means an Eligible Loan that requires:

- *enter into an Eligible Building Contract within 6 months of (and in the case of an Eligible Building Contract entered during the COVID-19 Pandemic Period, 12 months of) the Loan Settlement Date for the Eligible Loan to acquire the land upon which a Dwelling will be fixed;*
- *commence within 12 months of (and in the case of an Eligible Building Contract entered during the COVID-19 Pandemic Period, 18 months of) the Loan Settlement Date for the Eligible Loan to acquire the land upon which a Dwelling will be fixed; and*
- *construction to complete within 24 months of (and in the case of an Eligible Building Contract entered during the COVID-19 Pandemic Period, 30 months of) the Loan Settlement Date for the Eligible Loan to acquire the land upon which a Dwelling will be fixed, of the settlement date of your home loan to buy the land.*

in each case, with such contracts dated no earlier than 7th October 2020 and each being entered into by the Eligible Borrower with different counterparties.

Each of these requirements being a fundamental condition of the loan agreement, tested as at the Loan Agreement Date, and any non-performance or waiver of any such requirement is deemed to be a change of the Scheme- Backed Loan for the purposes of the Guarantee. For the avoidance of doubt, so long as these requirements are tested and satisfied as at the Loan Agreement Date, they do not need to be tested or satisfied after the Loan Agreement Date and any non-performance or waiver of any such requirement will not be deemed to be a change of the Scheme-Backed Loan for the purposes of the Guarantee.

5. *Off-the-Plan Arrangement means a contract of sale entered into for the purchase of a lot of Residential Property in an unregistered plan (or, if entered into for the purchase of a lot in a Residential Property in a registered plan, which, at that date, cannot be legally occupied), provided that:* **Not currently available**
    - where the Eligible Loan to purchase that property is to be the subject of a General Stream or a Single Parent Stream, at the time a Guarantee Certificate Application is made, the Loan Settlement Date will occur within 90 days of the date of a Guarantee Certificate being issued under the Scheme.

These requirements being a fundamental condition of the loan agreement, as at the Loan Agreement Date, and any non-performance or waiver of any such requirement is deemed to be a change of the Scheme-Backed Loan for the purposes of the Guarantee. For the avoidance of doubt, so long as these requirements are tested and satisfied as at the Loan Agreement Date, they do not need to be tested or satisfied after the Loan Agreement Date and any non- performance or waiver of any such requirement will not be deemed to be a change of the Scheme-Backed Loan for the purposes of the Guarantee.

6. *Loan Settlement Date means,*
    a. *for the purchase of an Eligible Property under a* ***General Stream*** *or* ***Single Parent Stream*** *that is:*
        - an Established Dwelling or a New-Build Dwelling under an Off-the-Plan Arrangement, the date on which the loan is drawn to purchase that property; or
        - a New-Build Dwelling under either a House and Land Package or a Land and Separate Contract to Build Home, the first date on which funds are advanced under the loan in connection with that arrangement.
    b. *for a Refinancing Loan,*
        - the date on which the refinancing loan is drawn to repay an outstanding Scheme-Backed Loan.

7. *Eligible Building Contract means a building contract:*
    a. with a licensed or registered builder.
    b. that specifies a contract sum in respect of the construction of the Residential Property.
    c. to avoid doubt, 'owner builder' contracts are not eligible building contracts for these purposes.

Section 6: Release of the Guarantee

The Guarantee will cease once the limit (balance plus redraw) of the loan is 80% or less of the value of the property as at the time the loan was entered into. The Guarantee will fall away when this occurs as it is intended that the Guarantee only cover the risk of default for loans representing 80% or more of the property value.

The reduction in loan balance will be from normal loan repayments and does not cover lump sum deposits If the LVR falls below 80% and the applicant wishes to remove the guarantee we will require access to any redraw funds to be removed to ensure the balance plus redraw remains under the 80% limit.

The guarantee with be cancelled upon the property being disposed. A Disposal Event means, in relation to any mortgaged property securing a Scheme-Backed Loan, the mortgaged property being sold to an arm's length purchaser on arm's length terms:

- by MyState; or
- pursuant to a voluntary sale that is required by MyState to be made in respect of a Default under the Scheme-Backed Loan.

Section 7: Switching between schemes

Broadly, there are no restrictions under the Scheme Rules on a borrower(s) with an existing place under General Stream choosing to switch to the Single Parent Stream (and vice versa). However, prior to effecting a switch, MyState should be aware:

- a borrower can only maintain a place under one Scheme at any one time (not multiple Schemes);
- if a borrower is eligible for the General Stream and the Single Parent Stream, the Single Parent Stream is to take precedence over General Stream;
- it is MyState's responsibility to ensure that all of the relevant eligibility criteria are met in respect of the type of guarantee for which the application is made;
- the Scheme Portal does not (and will not) have an ability to switch a borrower between Schemes;
- if a borrower decides to switch between any of the Schemes, then this will need to be carefully managed because:

- the borrower(s) existing Scheme Place application (including any linked applications) will need to be withdrawn before making a new application under another Scheme; and
- MyState's ability to make a new application under a new Scheme will be dependent on whether a Scheme Place is available at the time the application is made.

Section 8: Refinanced Guaranteed Loans

A loan made by an approved lender is eligible if its sole purpose is to refinance the debt owed under an existing loan that was guaranteed under the Australian Government 5% Deposit Scheme immediately prior to refinancing.

This allows loans subject to a guarantee under the Australian Government 5% Deposit Scheme to be refinanced with other eligible lenders, promoting consumer choice and competition, despite the new loan otherwise not being an eligible loan at the time it is entered into.

(For example, the new loan can be subject to a guarantee under the Australian Government 5% Deposit Scheme despite, in later income years, the owner's taxable income exceeding the income threshold or they have also acquired an investment property.)

To be eligible, the new loan must be for the refinancing of an existing guaranteed loan. The new loan cannot be greater than the remaining principal amount owing on the refinanced loan. In addition, the guarantee on the original loan must be in force at the time of the refinancing and that guarantee must not have been subject to a claim.

The refinancing loan must (Refinancing Loan Criteria):

- not have more than two borrowers (or a single borrower under the Single Parent Stream). Where there are two borrowers under the General Stream each borrower is (or was at the time the loan agreement for the existing Scheme-Backed Loan was entered into) the spouse or de facto partner of the other borrower. The refinancing loan may have one borrower even if the existing Scheme-Backed Loan was made to two borrowers – i.e. a refinancing that results in one of the original borrowers being removed;
- be for the refinancing of a residential property that is the same residential property mortgaged under the existing Scheme-Backed Loan;
- be for an Established Dwelling, New-Build Dwelling under a House and Land Package or New Build Dwelling under a Land and Separate Contract to Build Home;
- be provided for owner-occupied purposes;
- be only used for the purposes of paying out the existing Scheme-Backed Loan and in this regard, amounts disbursed by the New Lender must be paid directly to MyState – that is, no monies under the refinancing loan may be disbursed to the home buyer or any other person;

- be for not more than the permitted maximum loan amount. The permitted maximum loan amount is the Scheduled Principal Balance of the existing Scheme-Backed Loan as at the Loan Settlement Date for the refinancing loan;
- require repayments of the principal for the full term of the loan; and
- be for not more than the permitted loan term. The permitted loan term is the remaining loan term of the existing Scheme-Backed Loan. A borrower may refinance more than once with the same or multiple lenders but the total loan term for which it can have the benefit of a guarantee across all of those loans must not be more than 30 years in aggregate.

Social Security Act 1991 – Section 5

Dependent child--under 16

Subsection 2

A person who has not turned 16 is a dependent child of another person (the adult) if:

- the adult is legally responsible (whether alone or jointly with another person) for the day-to-day care, welfare and development of the young person, and the young person is in the adult's care; or
- the young person:
    - is not a dependent child of someone else; and
    - is wholly or substantially in the adult's care.

Subsection 3

A young person who has not turned 16 cannot be a dependent child if:

- the young person is not in full-time education; and
- the young person is in receipt of income; and
- the rate of that income exceeds $107.70 per week.

Dependent child--16 to 21 years of age

Subsection 4

A young person is a dependent child of another person at a particular time if:

- at that time, the young person:
  - has reached 16, but is under 22, years of age; and
  - is wholly or substantially dependent on the other person; and
- the young person's income in the financial year in which that time occurs will not be more than $6,403.

Subsection 5
A young person who has turned 16 cannot be a dependent child of another person if the other person is the young person's partner.

Dependent child--pension, benefit and Labour Market Program recipients

Subsection 6
A young person cannot be a dependent child for the purposes of this Act if:

- the young person is receiving a social security pension; or
- the young person is receiving a social security benefit; or
- the young person is receiving payments under a program included in the programs known as Labour Market Programs.

Dependent child--residence requirements

Subsection 7
A young person is not to be treated as a dependent child of another person (the adult) unless:

- if the adult is an Australian resident:
  - the young person is an Australian resident; or
  - the young person is living with the adult; or
- if the adult is not an Australian resident:
  - the young person is an Australian resident; or

- the young person has been an Australian resident and is living with the adult outside Australia; or
- the young person had been living with the adult in Australia and is living with the adult outside Australia.