

**NOT TO BE HANDED OUT TO BORROWER/S OR GUARANTOR/S**

To ensure that MyState Bank has mitigated its potential to adverse reputational commentary or complaint, it is essential that everyone involved in a transaction that includes a parental guarantee is fully aware of the details of the transaction, inclusive of the Guarantor(s) knowledge of the wherewithal of the Borrower(s) and obligations and potential consequences of the transaction.

As such, there are certain disclosures that must be made, certain information provided and certain information received. To this end, the MyState Bank Broker and the MyState Bank Lender are integral to providing and obtaining certain information. Importantly, a record of information provided and information received must be made. In summary, MyState Bank must be satisfied that:

1. The Broker is up to date in respect of Parental Guarantee Information; and
2. The Broker has discussed Parental Guarantee Information with the Borrower(s) and the Guarantor(s)
3. Interviewing the Borrower(s) and the Guarantor(s) separately is to ensure our satisfaction that the Guarantor(s) have not been subject to financial abuse or unduly pressured to provide a Parental Guarantee

**Features:**

- Parents can use equity in their property (secondary security) to provide additional security to the loan being sought by the Borrower(s).
- The loan to value ratio (for the loan) is reduced to a maximum of 80% saving the Borrower(s) a significant amount of money through the avoidance of and the need to pay lender's mortgage insurance.
- The Borrower's loan will be secured by a mortgage over the primary security and the secondary security together with a Deed of Guarantee.
- The property which the Borrower(s) are borrowing for is the primary security.
- The property which is proposed to provide additional security is not restricted to the Guarantor's owner occupied property.
- The Borrower(s) do not have to be first home buyers.
- Can only be used for owner occupied Borrower(s).

**LVR Requirements:**

- The LVR on the Borrower's loan must not exceed 80%.
- The LVR on the Guarantor's property must not exceed 70%.

**Loan Structure:**

- The Borrower's loan equates to the total amount required.
- The Deed of Guarantee and the guaranteed amount is limited to the amount required to enable the Borrower's total loan to not exceed 80%LVR.
- The Borrower's loan which will be secured by the primary security and the secondary security will be in the name of the Borrower(s) with the owners of the secondary security named as Guarantor(s).
- The mortgage over the primary security will be in the name of the Borrower(s) and the mortgage over the secondary security will be in the name of the Guarantor(s).
- The Deed of guarantee will be limited to the amount required to enable the Borrower's total loan to not exceed 80%LVR.

### **Financial Position:**

- The Borrower(s) income must be sufficient on a stand alone basis to support the total loan.
- In all cases, we must be certain that MyState Bank will not be placing the Guarantor(s) into hardship if the guarantee is called up. This will mean that the Guarantor(s) must have the financial ability/wherewithal to meet any such call up from means other than the sale of their owner occupied house.
- If an investment property or commercial property is utilised as security for the guarantee, the requirement under the previous dot point is not nearly as crucial, however the Guarantor(s) must nevertheless understand the consequence inclusive of mortgagee sale in the event 'things go wrong'.

### **Security**

- The total loan will be secured by the Borrower(s) property together with the Guarantor(s) property (secondary security) to enable the Borrower's total loan to not exceed 80%LVR.
- The total loan will be secured by 1st registered mortgage over the Borrower(s) property together with a registered mortgage (preferably 1st or 2nd) over the Guarantor(s) property. To this end a registered second mortgage behind an existing first mortgage is acceptable.
- A registered 2nd mortgage behind a 1st registered reverse mortgage styled arrangement is not acceptable. This is not acceptable because a defined amount for priority is not known under the reverse mortgage styled arrangement.
- Where an investment property or commercial property is utilised as secondary security for the guarantee, this can be considered more attractive, as the guarantee will not directly impact on their owner occupied residence; however the Guarantor(s) must nevertheless understand the consequence is inclusive of mortgagee sale in the event 'things go wrong'.
- The LVR on the Guarantor's property must not exceed 70% inclusive of any internal or external existing debt.
- The Guarantor(s) or Borrower(s) may request a revaluation at any time to confirm LVR, at the cost of the Borrower(s) and/or Guarantor(s). If the primary security provides satisfactory security at an LVR of 80% or below, consideration can be given to the release of the guarantee and the mortgage over the Guarantor(s) property.

### **Eligible Home Loans**

- The Parental Guarantee is available with all Variable and Fixed Home Loans
- Loan Purpose must be Owner Occupied
- Repayment type must be Principle and Interest
- Not available with Line Of Credit products.

### **Fees**

- Standard fees apply

### **Solicitors Certificate**

- In all situations it is essential that the Guarantor(s) engage the services of a Solicitor who is component in transactions of the nature of guarantees.
- The Solicitor must provide the Guarantors full and frank advice on the documentation, obligations, risks and responsibilities of guarantors.
- The Solicitor will sign a Solicitor's Certificate (certification) which will be addressed to MyState Bank Limited. The Certificate will cover off on the documents, the explanations given, excluded explanations, statements received and proper identification.

**Documentation**

Documentation requirements from Guarantor(s) include:

- Copies of existing loan statements.
- Statement of Assets & Liabilities.
- Statement of Income & Expenditure.
- Proof of Identity.
- Acknowledgement and Consent; Proof of Identity

Guarantor(s) need to be able to make an informed decision on whether to provide the guarantee based on all relevant financial facts. As such, Guarantor(s) must be provided with full loan application details for the total loan connected with the primary and secondary security.

**Documents to be given to Guarantor(s) include:**

- Copies of existing loan statements for the Borrower(s).
- Statement of Assets & Liabilities for the Borrower(s).
- Statement of Income & Expenditure for the Borrower(s).
- Copy of credit reports (if any) for the Borrower(s).
- Parental Guarantee – Information Summary.

**Documents to be given to Borrower(s) include:**

- Parental Guarantee – Information Summary.