

Essential Options Product Range

Product & Policy Quick Reference Guide

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Resi Home Loans



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Introduction – Resi Wholesale Funding

Resi Wholesale Funding (RWF) is the funder of the Essential Options Product range made exclusively available through YBR Branches and Vow Brokers.

Applicants

RWF accepts applications from the following. This includes applicant(s) in their own right as borrower(s) or as a guarantor(s) and are defined as:

- **Natural persons** - Must be either Australian citizens or permanent residents who reside in Australia who can be held legally accountable for a contract (of at least 18 years of age and mentally capable).
 - Borrowing as individual or Joint applicants.
- **Incorporated Entities (Companies and Trusts)** - Companies must be incorporated in Australia and have a valid, registered Australian Business Number (ABN) or Australian Company Number (ACN). Unit Trusts and Discretionary Trusts settled in Australia; loans must be in the name of trustee and provided in their capacity as trustee of the trust. Lending to Hybrid Trusts is excluded from this policy.
 - Where the registered proprietor of the security property is not a natural person, personal guarantees will be required as follows:
 - For Companies: All directors, shareholders are required on a case by case basis upon the extent of the shareholding and influence.
 - For Discretionary Trust: All trustees and adult beneficiaries
 - For Unit Trusts: All unit holders

Guarantors are expected to provide a full application, statement of position, expenses and income as well as provide the same supporting documentation that is expected of an individual borrower.

Resi Wholesale may require guarantors to obtain independent legal and financial advice.

Co-borrowers of convenience i.e. where the borrower receives no benefit from the loan, are not acceptable.

To qualify as a borrower, the applicant must receive a 'substantial benefit' from the loan. If the applicant cannot be confirmed as obtaining a 'substantial benefit', the applicant must be a guarantor

Credit History

Credit history is a critical part of any loan application and is indicative of risks associated with a prospective application for that individual. RWF's approach is to consider loans for individuals with either clear credit history, or with varying levels of historical minor credit impairment.

Credit listing	Product Categories
Up to 2 Defaults (must be paid or current status), Aggregate Value Less than \$1,000, Paid for at least 6 Months	Prime Full Doc Prime Alt Doc
Unlimited defaults, judgements and writs up to \$1000 per incident allowed Equifax registered greater than 24 months	Near Prime

Bankrupts

Undischarged bankrupts are not acceptable applicant(s). Discharged Bankrupts can be considered under the following circumstances:

Time since Discharged*	Product Categories
1 day	Near Prime (minor credit impairment)
2 years	All other product categories*

* If the applicant(s) is a discharged bankrupt. A letter from the trustee for Bankruptcy confirming discharge is required. To qualify for

Prime, Prime Alt Doc or Near Prime (without Minor Credit Impairment), a minimum of 2 years discharged is required in addition to clear credit and repayment history.

Comprehensive credit report can be included in place of statements for debts not being refinanced. All enquiries from the last 2 years need to be explained.

GUIDE TO SERVICEABILITY

Income matrix

The following table outlines acceptable verifications for income sources:

Type	Prime Lending		Near Prime Lending	
	MINIMUM DURATION (MONTHS)	ALLOWANCE (%)	MINIMUM DURATION (MONTHS)	ALLOWANCE (%)
Bonuses	24	100 (average)	12	100
Car allowance	Current	100	Current	100
Casual ¹	6	100	3	100
PAYG Contract	6 (YTD annualised)	100	3	100
Commission	24	100	12	100
Dividends	12	100	12	100
Family Tax Benefit A & B ²	Current	100	Current	100
Fully Maintained Company Car (net)	Current	Up to \$5K	Current	Up to \$5K
Full-Time Employment PAYG ³	6	100	Current	100
Interest Received ⁴	12	100	12	100
Maintenance Payments ²	6	100	6	100
Overtime ⁵	12 (current for essential services)	100	12 (current for essential services)	100
Permanent Part-Time	6	100	3	100
Permanent Pensions ⁶	6	100	6	100
Rental Income (including commercial)	Current	80	Current	80
Second Job	6	100	3	100
Shift Allowance & Penalties	6 (ongoing/48week Average)	100	6 (ongoing/48week average)	100
Applicant(s) employed by family	6	100	3	100
Superannuation payments ⁷	Current	100	Current	100
Child Care Benefits ⁸	Current	100	Current	100
Return to Work Income ⁹	Current	100	Current	100
Parental Leave Income	12	100	Current	100
Board ¹⁰	24	80	12	80
Royalties, interest, annuities, and distributions from property trusts ¹¹	Current	100	Current	100
Managed or Self-Managed Superannuation / Private Pension Income	Current	100	Current	100

1 12 months in industry required.

2 Must be payable for the next 5 years.

3 6 months with current employer. Probation considered if in industry for more than 2yrs.

4 Bank / Financial institutions.

5 100% of overtime / shift allowance may be considered when employed in an essential services industry. Must be evidenced over two pay periods.

6 Government Assistance / Welfare Payments - this income will only be considered as a supplementary source of income.

7 Only super amounts above legislative requirements may be added back.

8 Where childcare expenses have been declared.

9 Return within 60 days.

10 Tax returns or lease evidence required.

11 Acceptable provided sustainable over the loan term.

Subcontracting Income - Contractors paid in full by their employer and responsible for their own tax will be treated as self-employed (refer below). PAYG contract workers will be treated as Casual and second job (Refer directly above)

Please refer to the servicing calculator which must be included with every loan submission.

Self Employed

An individual is considered Self-Employed when they receive the majority (i.e. more than 50%) of their total income from a business in which they are the sole trader, a partner, director or shareholder.

Loans that are not subject to LMI, will have servicing based on the most recent full financial year with either the most recent BAS x 2 or the previous years' financials and tax returns (obtained to establish consistency of earnings). If subject to LMI, LMI requirements also apply.

Self-Employed - Sole traders, companies, company directors, partnerships, trustees of family trusts & subcontractors.

Prime: Minimum 2 years trading history (ABN registered for minimum 2 years)

Alt Doc: Minimum 2 years trading history (ABN registered for minimum 2 years)

Near Prime:

- Clear Credit History: ABN registered for minimum of 1 year. If less than 2 years trading history, evidence of previous industry experience required for a further 2 years.
- Minor Credit Impairment: Minimum 2 years trading history (ABN registered for minimum 2 years)

Add Backs

The following items can be added to before tax profit for sole trader, partnership, director and company applicant(s).

Type	Restrictions	% used for servicing
Interest on refinanced debt	Debt must be refinanced by new loan. Exclude interest on investment properties where rental income has been used in servicing.	100%
Abnormal expenses (not likely to occur in future years)	Applicant(s) share only (based on shareholding)	100%

The following items can be added to after tax profit for sole trader, partnership, director and company applicant(s).

Type	Restrictions	% used for servicing
Vehicle expenses	As per the Profit & Loss Statement.	100% up to a max of \$5,000.
Existing Rental income shown separately on financial statements	Income and expenses for an existing rental property need to be entered separately into the servicing calculator. As such, rental property expenses and income need to be removed from financial figures used for assessment purposes.	80%
Existing Rental income not separated within the financial statements	The net profit figure is to be used and interest and depreciation added back. Full loan repayments must be allowed for within the system. NB: Rental income is not to be used as a separate amount other than that included within the net profit figure.	100% of the net profit in the net profit section.
Depreciation	Must be depreciated on the profit and loss statement. Excludes motor vehicle depreciation if already added back \$5,000 for motor vehicle expenses. NB: Allow for full loan repayments on all debts including term loans, hire purchase and leases. Exclude those being refinanced by the loan application.	100%*

*Refer to LMI provider guidelines for specific criteria, if applicable.

Prime Alt Doc Home Loan

- At least 2 financial years trading in the current business
- ABN must be registered for a minimum of 2 years
- Current GST registration unless legitimately exempt

Income verification under our Alt Doc program is provided by way of a Client Declaration plus any one of the following:

- Minimum of 6 months BAS - *Total Sales (G1) less GST on Purchases (1B / 9.09%) less W1 = Income (to be annualised)*. **Note: this amount needs to be then applied as per the individual's shareholding in the business.**
- 12 Months Accountant Prepared Business Trading Statements - NPBT
- Accountant Declaration – Declared figure by accountant
- Minimum of 6 months business bank statements supporting stated income

Living expenses

As a guide, a minimum of 1-month, up to 3 months of bank statements would be expected unless each of the following can be established:

- Declared Living Expenses exceed HEM by 10% or more (and passes reasonableness test).
- NSR of 1.25:1 or greater
- No other concerns/red flags including but not limited to poor credit history, short or unstable employment history, consolidation of a large number of debts, known history of hardship.

Statements obtained for other purposes such as demonstration of account conduct should, as always be reviewed in light of declared living expenses, potential undisclosed liabilities and dishonoured payments

Loan Size & Maximum LVR

The following table shows the maximum LVR and loan amount per security for our different loan categories. These limits cannot be exceeded, including capitalised fees and LMI.

Prime Full Doc – National Loan Size/LVR Limits		
LVR	Metro	Non-Metro
≤ 95%	\$900,000	\$600,000
≤ 90%	\$1,200,000	\$750,000
≤ 80%	\$1,500,000	\$750,000

Prime Alt Doc – National Loan Size/LVR Limits		
LVR	Metro	Non-Metro
≤ 80%	\$750,000	\$750,000

Near Prime Full Doc – National Loan Size/LVR Limits		
LVR	Metro	Non-Metro
≤ 80%	\$1,000,000	\$750,000

Loan size limits for each States will be issued from time to time to ensure portfolio parameters are adhered to. Currently the loan size limits can be applied to NSW, ACT and Victoria across all loan categories. Further guidance for Prime Full Doc loans are provided below.

Prime Full Doc – QLD; SA, WA, NT & Tas Loan Size and LVR guidance		
LVR	Metro	Non-Metro
≤ 95%	\$700,000	\$500,000
≤ 90%	\$900,000	\$600,000
≤ 80%	\$1,500,000	\$750,000

These limits cannot be exceeded, including capitalised fees and LMI.

Exceptions to these loan size guidelines can be considered on a case by case basis (after paying particular attention to the valuation report and/or carrying out additional research).

Loan Purposes

Loan purposes permitted under the RWF program vary according to the underlying product. In broad terms, permitted loan purposes are to be majority refinance or purchase, more specifically permitted purposes under the program include but may not be limited to:

- purchase of owner occupied or investment residential property
- purchase other property utilising residential property as security for the advance
- refinance of existing housing loans, either owner occupied or investment
- purchase of shares/investments utilising residential property as security and serviceability is demonstrated without considering the investments being purchased
- Non-structural home improvements (examples being new bathroom, kitchen and minor landscaping)
- Debt consolidation (unlimited number of debts)
- Cash out / Equity release (description of purpose required – description of use of funds is required to determine end purpose)
- Business purpose (excluding working capital)
- Providing equity for Commercial Property Purchase
- Full repayment of tax debt. (Partial repayment of tax debt not generally considered unless other funds to fully discharge the tax debt can be evidenced)
- Any worthwhile and legitimate purpose approved by the lender and mortgage insurer (if available) on an individual basis

Vacant Land and constructions loans are not permitted under the RWF program.

Supporting documentation

The following documents must also be provided subject to the loan purpose and are required for all loan product categories:

Loan Purpose	Documentation Requirements
Purchase of Residential Property	<ul style="list-style-type: none"> Full copy of the dated purchase contract inclusive of special conditions (must be fully executed at settlement). VIC Only – Section 32 certificate and a copy of purchase contract. <p>Prior to settlement:</p> <ul style="list-style-type: none"> Copy of current building insurance with Bank noted as mortgagee.
Non-structural home improvements	<ul style="list-style-type: none"> No documentation requirements, although RWF reserves the right to request evidence on a case by case basis.
Refinance and Debt Consolidation (statement requirements apply to accounts to be refinanced).	<p>>80% LVR:</p> <ul style="list-style-type: none"> The most recent 6 months statement for mortgage loans. The most recent 3 months statements on other debts. <p>≤80% LVR:</p> <ul style="list-style-type: none"> The most recent 3 months statements for mortgage loans. The most recent 3 months statements on other debts.
Business Purposes	<p>Applicant(s) must disclose use of funds.</p> <ul style="list-style-type: none"> No additional documentation required. <p>However, RWF reserves the right to make further inquiries as the scenario demands.</p>
Equity release – cash out	<p>Applicant(s) must disclose use of funds.</p> <ul style="list-style-type: none"> No additional documentation required. <p>However, RWF reserve the right to make further inquiries as the scenario demands.</p>

Verifying Applicant's Financial Position

All documentation on file to be checked to verify the stated position. Any anomaly or inconsistency must be investigated and verified and included in the serviceability calculation as appropriate. Comments must be included to explain the inconsistency or omission and mitigate why the application should proceed. Where any anomaly or inconsistency cannot be reconciled, the application must not proceed. For existing financial liabilities, the following documentation guidance is recommended to verify financial position. Statements are required for facilities being refinanced.

Requirements are detailed in the following table:

Type of commitment	Documentation Guidance
All external residential mortgage loan or line of credit, personal loan or equipment finance* debts held <u>not</u> being refinanced.	<p>For each debt, one of the following:</p> <ul style="list-style-type: none"> Most recent loan statement covering a minimum of 1 month, no greater than 6 months old; or Internet transaction listing^f covering a minimum of 1 month. For equipment finance facilities: <ul style="list-style-type: none"> Most recent transaction account statement showing direct debits; or A copy of the contract to confirm the contracted payment amount; or Where the payment is deducted from an applicant's wage, 1 payslip less than 60 days old evidencing deduction.
All external credit/store card(s) held <u>not</u> being refinanced.	Most recent month's statement(s), no greater than 31 days old.



Type of commitment	Documentation Guidance
External debt to be refinanced/consolidated (including: residential mortgage loan or line of credit, personal loan, equipment finance*, credit/store card).	For each debt: <ul style="list-style-type: none"> • Most recent 3 months loan statements, no greater than 60 days old; or • One loan statement AND the most recent 3 months transaction statements, no greater than 60 days old showing direct debits/repayments to loan account. • For equipment finance facilities: <ul style="list-style-type: none"> - Most recent transaction account statement showing direct debits; or - A copy of the contract to confirm the contracted payment amount.
Rent or board that will still be applicable after loan settlement, refer 11.5 Calculation of serviceability ratio for minimum rent/board commitment.	<ul style="list-style-type: none"> • Rent, any one of the following: <ul style="list-style-type: none"> - A current rental statement/receipt; - An executed copy of the lease/tenancy agreement; or - 2 months account statements showing rental deductions • Board does not need to be verified but must be included as a commitment.

*Equipment Finance covers leases, hire purchases and asset finance

Internet bank statements are acceptable when the following information is present:

- The applicant(s) name;
- The full account number;
- Individual transactions are itemized and there is a running account balance;
- The logo and name of the financial institution is displayed.

Prime, Prime Alt Doc or Near Prime (without Minor Credit Impairment), a minimum of 2 years discharged is required in addition to clear credit and repayment history.

Note: If the applicant(s) name, account number or the financial institution's logo is not displayed on the internet statements, these must be verified against either an original bank issued statement or the internet banking summary.

Comprehensive credit report can be included in place of statements for debts not being refinanced. All enquiries from the last 2 years need to be explained.

Genuine Savings

Genuine savings are required as follows:

LVR	Restrictions
≤ 90%	5% Genuine Savings NOT required
> 90%	5% Genuine Savings required

Where 'genuine savings' is required, evidence of 3 months of savings must be demonstrated. It must be verified, and a copy of the appropriate documentation held on file.

Appropriate documentation in the name of the applicant(s) includes:

- Account statements showing an established savings pattern
- Share certificates held for at least 3 months.
- Deposit held in an account accumulated over a 3month period
- Real estate equity
- Accelerated loan repayments made over a period of three months for an existing loan. Here the value of the excess repayments (plus any other existing savings/investments) must be equal to or greater than the minimum savings required.
- In conjunction with evidence of funds to complete, genuine savings can be demonstrated by provision of rental repayment history. Rental repayment history must be demonstrated over minimum 6-month period, verified via a Letter from the Registered Real Estate Agent detailing the following:
 - Full Name of tenant/s
 - Address of the tenanted property
 - Commencement date of tenancy
 - Amount of rent paid per cycle (e.g. weekly, fortnightly, monthly)
 - Confirmation of acceptable rental repayment history (no missed payments)

The LMI provider's requirements must also be met.

High Density Units/Apartments

The following restrictions apply to high density units/apartments:

- The unit/apartment must have the following attributes:
 - ✓ A minimum floor size of 40 sqm excluding balconies and car space
 - ✓ Maximum of LVR of 80% for new apartments/units
 - ✓ Maximum LVR of 90% for existing apartments/units (subject to LMI approval)
 - ✓ Every habitable room [bedroom(s) and living rooms(s)] must have a window
 - ✓ A separate bathroom
 - ✓ A kitchen (shared or communal kitchen not acceptable)
 - ✓ Laundry facilities (shared or communal laundry facilities not acceptable). Properties with the required space and opportunity to add in a laundry may be considered on a case by case basis

Capitalised LMI Premiums

Unless noted in the table below, LMI premiums may be capitalised onto a loan provided the resultant LVR, including premium, does not exceed 95%, or maximum loan size limits.

LMI loans involving	Maximum LVR
Interest only	90% plus any capitalised LMI
Investment Loans	90% plus any capitalised LMI
Owner-occupied refinance	90% plus any capitalised LMI
Owner-occupied purchase	95% inclusive of LMI