

QBE Lenders' Mortgage Insurance

# LMI Guide Australia

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## 1. Introduction

### About QBE Lenders' Mortgage Insurance Limited (QBE LMI)

QBE Lenders' Mortgage Insurance Limited is one of the largest mortgage insurers in Australia. Although the business names have changed over time, QBE LMI has been operating continuously in the Australian mortgage insurance market since 1965.

### What is Mortgage Insurance?

Lenders mortgage insurance (LMI) covers the lender in the event of the borrower defaulting on their loan. If the property is subsequently sold and the amount from the sale is insufficient to pay off the loan in full, this insurance will cover the lender for the shortfall. The insurer may then exercise their legal right to recoup this shortfall from the borrower. The lender applies for LMI not the borrower and the insurance should not be confused with Mortgage Protection Insurance.

The fee for LMI is paid as a once only fee at loan settlement and varies depending on the amount of money being borrowed and loan to valuation ratio (LVR).

### How to use this lmiGUIDE

The lmiGUIDE is designed to be used as a guide to assist in completing applications for and relating to LMI. It contains information on some common underwriting questions that we receive from time to time. Whilst it is not a comprehensive list of QBE LMI's requirements, each application for LMI must at a minimum satisfy these requirements.

When you submit a LMI application with supporting material as required, it will be individually assessed based on QBE LMI's full underwriting criteria. Your attention is also directed to the requirement to comply with your duty of disclosure. Any queries not covered in this guide should be directed to your Underwriting Manager or Partnership Manager.

QBE LMI reserves the right to vary our products, terms and conditions and our underwriting criteria from time to time without notice.

### QBE LMI Website

Log on to [www.qbelmi.com](http://www.qbelmi.com) for the following services:

- Servicing capacity assessment - determine a borrowers capacity to pay their financial obligations
- Location wizard - a reference of the maximum amounts QBE LMI will underwrite by product, LVR, and location
- Forms
- QBE LMI residential property market overview
- Latest QBE LMI news

## 2. Duty of Disclosure

### 2.1 Your Duty of Disclosure

Before You enter into an insurance contract with Us, You have a duty to tell Us anything that You know, or could reasonably be expected to know, may affect Our decision to insure You and on what terms. You have this duty until the proposed insurance contract is entered into in accordance with the Master Agreement (generally this is the later of QBE LMI having received the Premium or the Lender having satisfied any special conditions).

You have the same duty before You renew, extend, vary or reinstate an insurance contract. However You do not need to tell us anything that:

- reduces the risk We insure You for;
- is common knowledge;
- We know or should know as an insurer;
- We waived Your duty to tell us about.

If You do not tell us anything You are required to, We may cancel the Policy or reduce the amount We will pay you if You make a claim for Loss under the Policy, or both. If Your failure to tell us is fraudulent, or any misrepresentation by You is fraudulent, We may refuse to pay a claim and treat the Policy as if it never existed.

### 2.2 Information that must be disclosed to QBE LMI

Information that must be disclosed to QBE LMI includes, but is not limited to:

- Poor conduct on borrowers loans (where known to Lender)
- Borrowers applications previously referred to or declined by another mortgage insurer
- Outstanding statutory obligations e.g. unpaid council rates or body corporate levies, tax
- Adverse credit report or credit history of borrower or any business of which the borrower is a related party e.g. a Company where the borrower is also a director
- Liabilities not disclosed by borrower in application
- If the borrower is not a citizen or a permanent resident of Australia or New Zealand
- Advantageous purchases

- Borrower is employed by family members
- Non-compliance with the terms of the Lenders / Funders standard credit policy

Any relationships between any parties to the transaction, including but not limited to:

- Broker / Introducer has a personal, business or employment relationship with borrower, vendor, legal representatives, vendors agent, valuers or any other party to the insured loan
- Vendor has a personal, business or employment relationship with borrower, broker, legal representatives, vendors agent, valuers or any other party to the insured loan;
- Borrower has a personal, business or employment relationship with broker, vendor, legal representatives, vendors agent, valuers or any other party to the insured loan;
- Legal representatives for any party to the proposed transaction has a personal, business or employment relationship with borrower, vendor, broker, vendors agent, valuers or any other party to the insured loan;
- Vendors Agent has a personal, business or employment relationship with borrower, vendor, broker / introducer, legal representatives, valuers or any other party to the insured loan.

### 3. Applying for lenders mortgage insurance

QBE LMI's product range provides cover to suit a variety of needs depending on a person's financial situation.

When submitting an application for QBE Lenders' Mortgage Insurance by fax or email, you will need to submit the items listed below under either 3.1 or 3.2.

**IMPORTANT NOTE: All tax file numbers MUST be deleted from all documents prior to submission to QBE LMI.**

#### 3.1 Full income documentation

For borrowers who can provide full income documentation, the following documentation will need to be submitted:

- ImiPROPOSAL
- Copy of the borrowers home loan application form
- Income verification documents
- Servicing calculation worksheet
- Evidence of funds to complete the purchase
- Last 6 months statements for all loans being refinanced / consolidated by the insured loan
- Last 3 months statements for credit card or store accounts being refinanced / consolidated by the insured loan
- Last 3 or 6 months statements confirming 5% genuine savings
- Full credit bureau report for all borrowers and related entities
- Full explanation for any adverse features on any credit bureau report noted above
- If an application has been referred to another LMI provider, a full copy of any decisions / additional requests from the other LMI provider
- Registered valuation report or contract of sale

#### 3.2 Self certified income documentation

For self employed borrowers who can't provide full income documentation, The following documentation will need to be submitted:

- ImiPROPOSAL
- The borrowers home loan application form
- The borrowers self certified income declaration
- Last 6 months business transaction account bank statements or 12 months lodged business activity statements
- ABN / ACN registration (including GST registration for taxi drivers & incomes above \$75,000 pa)
- Servicing calculation worksheet
- Full credit bureau report for all borrowers and related entities
- Full explanation for any adverse features on any credit bureau report noted above
- If an application has been referred to another LMI provider, a full copy of any decisions / additional requests from the other LMI provider
- Registered valuation report or contract of sale

#### 3.3 Completing the ImiPROPOSAL

The following is intended as a reference to clarify QBE LMI's requirements where the question itself is not self explanatory:

<b>3<sup>rd</sup> Party Introducer:</b>	Name of 3rd party introducer who submitted application to lender (if applicable).
<b>Applicable Laws:</b>	Includes, but is not limited to, the <i>National Consumer Credit Protection Act 2009</i> (Cth), the National Credit Code set out in Schedule 1 to that Act and any other applicable credit code.
<b>Branch / Office:</b>	Office / Branch of the Introducer / Mortgage Manager that introduced application to lender.

<b>Cash Out:</b>	Total funds being released to borrowers on an uncontrolled basis.
<b>Contact:</b>	The person QBE LMI is to contact with any questions / enquiries in relation to the application (may be Loan Writer or Contact in centralised credit office).
<b>Current scheduled balance:</b>	Current loan balance plus any available redraw.
<b>Duty of Disclosure:</b>	All applications require compliance with QBE LMI's Duty of Disclosure as outlined in sections 2.1 & 2.2.
<b>Funding Program:</b>	Name / Details of funding program (if applicable).
<b>Lender / Funder:</b>	Name of Lending Organisation / Wholesale Funder.
<b>Lender Reference No:</b>	Your reference number (optional).
<b>LMI Capped:</b>	Is the LMI premium to be capitalised? This remains subject to maximum LVR guidelines applicable by product, location and amount of loan.
<b>Loan Originator:</b>	Means any person or entity who is involved in the marketing, origination, assessment or establishment of, the loan to which the ImiPROPOSAL relates and any associated mortgage(s) and collateral security. It may include an agent, a mortgage broker, a 3rd Party Introducer, a Loan Writer, a Mortgage Manager, any person appointed to manage a trust, an aggregator and a settlement agent. It includes any of them whether they act as the agent of the lender, or of the borrower, and whether they act independently.
<b>Loan Originator representations:</b>	If any Loan Originator has been involved in the borrower's loan application the lender must agree to make additional representations to QBE LMI – those representations are outlined in section 3.4 headed "Loan Originator representations".
<b>Loan Writer:</b>	Name of individual who interviewed borrowers.
<b>Minimum Valuation Requirements:</b>	All valuations must comply with QBE LMI's valuation policy – as outlined in section 13.
<b>Minimum Verification Standards:</b>	The accuracy of borrower's information including income and employment data must be confirmed by the Lender in accordance with QBE LMI's Minimum Verification Standards – as outlined in section 12.
<b>Mortgage Manager:</b>	Name of Manager (if applicable) where the Mortgage Manager and the funder are different organizations.
<b>Security / ies:</b>	Property address allowing for an additional property & confirming dwelling type: <ul style="list-style-type: none"> <li>• if dwelling new or not previously occupied / lived in – New Dwelling</li> <li>• if dwelling has previously been occupied / lived in – Used Dwelling</li> </ul> with options differentiating Vacant Land or Construction Loan.
<b>Term:</b>	Term of loan / remaining term of existing loan.
<b>Total Debt Consolidation:</b>	Total debts being consolidated in loan.
<b>Type:</b>	Is this a new or additional loan? If additional to an existing loan QBE LMI needs to identify the policy by its number.

### 3.4 Loan Originator representations

If any Loan Originator has been involved in the borrower's loan application the lender agrees to make the following additional representations to QBE LMI at the time of submitting the ImiPROPOSAL to QBE LMI:

- 1) The lender represents to QBE LMI that:
  - a) any Loan Originator acting on the lender's behalf is licensed (or is exempt from the requirement to be licensed, or is the lender's authorised credit representative) as required by all Applicable Laws;
  - b) the lender has listed on the ImiPROPOSAL the name of each Loan Originator involved in the marketing, origination, assessment or establishment of the loan(s) the subject of that ImiPROPOSAL and any associated mortgage(s) and collateral security;
  - c) the information and statements in and accompanying the ImiPROPOSAL are true and correct and disclose every matter known, or that could reasonably be expected to be known, by the lender to be relevant to whether QBE LMI will decide to provide insurance and if so on what terms; and
  - d) the lender has undertaken all checks and verifications as are necessary in order for it to make the representations in paragraphs (a) to (c) above.
- 2) The Lender further acknowledges and agrees that:
  - a) each Loan Originator is the agent of the lender for the purposes of both the provision of the information and statements in and accompanying the ImiPROPOSAL and any contract of insurance arising from the acceptance by QBE LMI of that ImiPROPOSAL;

- b) the knowledge of any such Loan Originator of any fact or matter relevant to the representations referred to in paragraph 1 above, to the information and statements in and accompanying the ImiPROPOSAL and to those matters which the lender is required to disclose in accordance with its duty of disclosure is imputed to and the knowledge of the lender; and this agreement and acknowledgement will be a term of any contract of insurance with QBE LMI arising from its acceptance of the LMI Proposal.
- 3) Without limiting the lender's duty of disclosure (as outlined in section 3) and the representations made in paragraphs 1 and 2 above, the lender acknowledges and agrees that it will be responsible for any non-disclosure or misrepresentation arising from or attributable to:
- a) the acts or omissions of any Loan Originator; or
- b) any information provided by or through any Loan Originator or which any Loan Originator has omitted to provide.

## 4. Borrowers & Guarantors

This section outlines the criteria for borrowers and guarantors.

### 4.1 Acceptable borrowers and guarantors

<b>Individuals</b>	Individuals who are working and living in Australia and are: <ul style="list-style-type: none"> <li>Aged 18 years or older, and</li> <li>Either a citizen or permanent resident of Australia or New Zealand.</li> </ul>						
<b>Non-residents</b>	An acceptable non-resident is an Australian or New Zealand citizen who is living in a country other than Australia.  All standard underwriting guidelines are to be applied with the following additional conditions: <ul style="list-style-type: none"> <li>The loan purpose is to purchase residential investment property within Australia</li> <li>The borrowers income is to be converted to Australian dollars and servicing capacity must not exceed 90% net servicing ratio (NSR)</li> <li>Maximum loan amounts are subject to location restrictions.</li> </ul> <table border="1"> <thead> <tr> <th>Maximum LVR</th> <th>70% LVR</th> </tr> </thead> <tbody> <tr> <td>Single security</td> <td>\$750,000</td> </tr> <tr> <td>Multiple securities</td> <td>\$1,000,000</td> </tr> </tbody> </table>	Maximum LVR	70% LVR	Single security	\$750,000	Multiple securities	\$1,000,000
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Multiple securities	\$1,000,000						
<b>Companies</b>	The Company must be registered in Australia or NZ.  Where the borrower is a Private Company, QBE LMI requires an unconditional, unlimited and irrevocable Guarantee and Indemnity (joint and several if more than one) of each director of the company. <ul style="list-style-type: none"> <li>Directors must meet the individual borrower requirements above.</li> </ul>						
<b>Trust</b>	The Trust must be registered in Australia or NZ.  Where the Trustee is a company the mortgage is to be given in the company's corporate capacity and trustee capacity. In addition, QBE LMI requires an unconditional, unlimited and irrevocable Guarantee and indemnity from all non-professional trustee directors of the Trustee company. In the case of a unit trust, guarantees are required from all unit holders. <ul style="list-style-type: none"> <li>Trustees must meet the individual borrower requirements above.</li> </ul>						
<b>Maximum exposure per borrower</b>	The maximum aggregate exposure for any one borrower with QBE LMI is \$3,000,000. This is subject to a maximum exposure against a single security of \$1,200,000.  Where a borrowers QBE LMI exposure includes self certified loans, the total exposure is limited to a maximum of \$2,500,000.  Maximum exposure for Business Loans is \$500,000.						

### 4.2 Unacceptable borrowers & guarantors

Cover will not be considered for:

- Minors under any circumstances
- Overseas nationals (e.g. American citizens)
- Australian and New Zealand permanent residency visa holders living in a country other than Australia
- Companies with directors & Trusts with trustees living and working in a country other than Australia or New Zealand
- Company director's purchasing property from their own developments for investment purposes
- Bankrupt borrowers
- Borrowers with a no asset procedures listing in New Zealand
- Borrowers of convenience (i.e. not receiving a benefit from loan transaction)
- Self Managed Superannuation Fund.

## 5. Deposit & Equity

### 5.1 Funds to complete

Funds to complete a transaction must be from an acceptable source and fully verified. Supporting documentation must meet the minimum verification standards and be held on file for the term of the loan.

The borrower's loan application must evidence adequate funds to complete a purchase including stamp duty & legal fee's utilising a combination of loan proceeds and available funds. Borrowed funds against an existing property are acceptable.

### 5.2 Genuine savings

Requirement	Where the LVR is above 90%, the borrower must provide at least 5% of the purchase price from genuine savings.
<b>Definition of genuine savings</b>	<p>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.</p> <p>Genuine savings can be from any of the following sources:</p> <ul style="list-style-type: none"> <li>• Accumulated savings (savings account)</li> <li>• Sale proceeds of shares or managed funds (net any tax due)</li> <li>• Equity in or from real estate</li> <li>• After tax bonuses from employer (provided amount is excluded from income for NSR capacity assessment)</li> <li>• Non preserved superannuation contributions (provided the borrower has access to funds in cash form, and minimum employment conditions are met - as outlined in section 6.1 below)</li> <li>• Additional loan repayments that are redrawable</li> </ul>
<b>Borrowed funds</b>	<p>The sale of real estate or additional borrowings against real estate, held in the name of at least 1 of the borrowers for a minimum period of 3 months prior to the loan application being received is acceptable provided:</p> <ul style="list-style-type: none"> <li>• The servicing calculation includes repayments for the borrowed funds</li> <li>• The source of the borrowed funds are fully disclosed and meet QBE LMI guidelines</li> </ul> <p>Borrowed equity cannot be an incentive from a builder or vendor.</p>
<b>Gifts</b>	<p>Where funds from a non repayable gift are being used to complete a purchase, the gift must be from an immediate family member and be held in an account in the name of at least 1 borrower for a minimum period of 3 months prior to the loan application being received.</p> <p>Immediate family members are:</p> <ul style="list-style-type: none"> <li>• Spouse / De facto partner</li> <li>• Parents / Children</li> <li>• Siblings</li> <li>• Grandparents / Grandchildren</li> </ul>
<b>Inheritance</b>	<p>Where funds from an inheritance are being used to complete a purchase, the inheritance must be from an immediate family member and be held in an account or solicitors trust in the name of at least 1 borrower for a minimum period of 3 months prior to the loan application being received.</p> <p>Immediate family members are:</p> <ul style="list-style-type: none"> <li>• Spouse / De facto partner</li> <li>• Parents / Children</li> <li>• Siblings</li> <li>• Grandparents / Grandchildren</li> </ul>
<b>Term investment</b>	<p>Lump sums (e.g. term deposits) must have been held in an account in the name of at least 1 borrower for a minimum period of 3 months prior to the loan application being received.</p>
<b>Not considered acceptable forms of genuine savings</b>	<ul style="list-style-type: none"> <li>• Government grants / rebates (including First Home Owners Grant)</li> <li>• Gifts (not from immediate family members)</li> <li>• Inheritance (not from immediate family members)</li> <li>• Advance on wages/commission</li> <li>• Barter Card or other swap negotiations</li> <li>• Builder discount/finance or any form of incentive</li> <li>• Proceeds from gambling</li> <li>• Proceeds from illegal activities</li> <li>• Rental discounts</li> <li>• Vendor gift / discount / finance / rebate or any form of incentive</li> <li>• Advantageous / favorable purchases</li> <li>• Lender finance of 5% deposit</li> <li>• Borrowed funds (e.g. personal loan)</li> </ul>

## 5.3 Equity

<b>Advantageous purchase</b> (aka favorable purchase)	<p>An advantageous purchase can be considered a 'gifted equity' when the purchase is from an immediate family member or the estate of an immediate family member. Immediate family members are:</p> <ul style="list-style-type: none"> <li>• Spouse / De facto partner</li> <li>• Parents / Children</li> <li>• Siblings</li> <li>• Grandparents / Grandchildren</li> </ul> <p>In these circumstances a registered valuation is required and must refer to both the nature of the sale and the sale price. The LVR is determined using the valuation amount.</p> <p>Example: Parents agree to sell a property valued at \$300,000 to their son for a reduced price of \$280,000. The value of the security is recognised as \$300,000 subject to valuation.</p> <p>Borrowers must provide at least 5% of the purchase price from genuine savings. Advantageous purchase is not a substitute for genuine savings.</p>
<b>Self certified loans</b>	<p>A minimum 20% acceptable equity is required.</p> <p>Deposit funds must be in the name of at least one borrower prior to the loan application being received &amp; can be from the following sources:</p> <ul style="list-style-type: none"> <li>• Accumulated savings (savings account)</li> <li>• Sale proceeds of shares or managed funds (net any tax due)</li> <li>• Equity from real estate (additional borrowings or sale)</li> </ul> <p>Equity is to be held or accumulated over a minimum 6 month period.</p> <p>Where the application has been submitted with up to 70% LVR, equity of 30% is required.</p>

## 6. Employment & Income

Borrowers must demonstrate that they can repay their loan commitments and meet ongoing living expenses from the income and work they do without undue hardship.

### 6.1 PAYG employment

Any probationary period in current position needs to have been completed.

Type of employment	Time in the job
Permanent full time / Contract	No more than 2 jobs in the past 12 months.
Permanent part-time (principal employment)	Minimum 6 months in current position.
Second Job / Casual / Part-time	Minimum 12 months in current position.
Borrowers employed by family	Minimum 6 months in current position or 12 months continuous employment within the same industry.

### 6.2 PAYG income

Type of income	Treatment of income
Salary packaging	Provided the borrowers total package is available in cash at the borrowers option, then the total package can be treated as gross income (less compulsory superannuation contribution) for loan servicing purposes.
Full time / Contract / Second job / Casual / Part-time	All of a borrowers regular income maybe used in the servicing assessment.
Overtime	100% if a condition of a borrowers employment. 50% if confirmed as being regular for 6 months from the same employer.
Commission / Bonus	100% if confirmed as received for last 2 years from current employer. The average of the last 2 years is to be used in the servicing assessment.
Vehicle allowance (not mileage)	50% of a borrowers vehicle allowance can be used provided it is a condition of employment. 100% of any corresponding lease or hire purchase payments must be included in the servicing assessment.
Mileage reimbursement	Mileage reimbursement is <b>unacceptable</b> income.
Fully Maintained Company Vehicle	\$5,000 per annum can be added to the net income figure for servicing assessment.



### 6.3 Other income

Type of income	Treatment of income
Rental Income	80% of the gross rental income.
Family Allowance	Family allowance types A & B are acceptable where the allowance is determined to be available for a minimum 5 years from the date of loan assessment or approval.
Pensions	Must be of a permanent nature.
Child Support	<p>Child Support payments must be paid through the Child Support Agency and be available for a minimum of 5 years from the date of loan assessment or approval.</p> <p>The following supporting information is required:</p> <ul style="list-style-type: none"> <li>Child Support Agency Assessment showing the amount payable, the names and date of birth for the eligible child or children; and</li> <li>3 months current bank statements confirming receipt of payments.</li> </ul> <p>Private arrangements are not acceptable under any circumstances.</p>

### 6.4 Self employed

A borrower is self employed where more than 50% of the borrowers total income is derived from a business wholly or partially owned by the applicant, or any portion of business income is required to service the loan.

Understanding the borrowers occupation and industry is crucial as this will indicate the likely turnover and expenses of their business. A minimum 2 years in the same business is required.

The length of time in business will be verified by the registration date of the Australian Business Number (ABN) or Australian Company Number (ACN) for any business that the borrower generates an income.

ABN / ACN must be in the name of the borrower or an associated entity that can be directly linked to the borrower.

Full income documentation	Time in business
<ul style="list-style-type: none"> <li>2 years tax returns and</li> <li>ATO tax assessment notices.</li> </ul>	Where a borrower has less than two years trading in the current business but two years prior employment in a similar field, applications may be considered on an exception basis.
Self certified	Time in business
<p>Borrowers must complete a signed statement listing their net income and confirm that they can service all commitments without any hardship supported by:</p> <ul style="list-style-type: none"> <li>6 months transactional account statements of the borrowers business trading bank account, or</li> <li>12 months Australian Tax Office (ATO) lodged<sup>1</sup> business activity statements (BAS) for any business that a borrower generates an income.</li> </ul>	<p>A copy of the online search of the borrowers ABN / ACN is to be kept on file. This search will also confirm if the borrower is registered for GST.</p> <p>Goods &amp; Services Tax (GST) registration<sup>2</sup> is mandatory for taxi drivers and where a borrower declares a net income of \$75,000 or more per annum.</p>

#### 6.4.1 Self employed - Use of shared ABN / ACN

##### Relationship - Conditions relating to accepting the income declaration and supporting documents where there is a shared Australian Business Number (ABN) or Australian Company Number (ACN)

###### Borrowers working in same business:

ABN in one borrowers name (sole trader) & application in joint names.	Acceptable, providing applicants are spouses or de facto.
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ABN in company name and BOTH applicants are shareholders and/or directors.	Acceptable.
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ABN in company name, one applicant is a director but both are shareholders.	Acceptable, providing applicants are spouses or de facto.
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###### Borrowers operate different businesses:

ABN in one borrowers name (sole trader) and application in joint names.	The income of the non-owner of ABN should be excluded unless independently verified.
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ABN in company name and BOTH applicants are shareholders and directors.	Acceptable.
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ABN in company name, one applicant is a director but both are shareholders.	The income of the non-director should be excluded unless independently verified or they hold a 50% shareholding in the company that holds the ABN.
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<sup>1</sup>Lodgement date & receipt number or ATO portal receipt is to be provided.

<sup>2</sup>Unless a GST Free business as defined by the ATO, in which case, you will need to hold evidence of this on file and advise QBE LMI.

## 7. Servicing capacity

Borrowers must be able to demonstrate sufficient income to pay their financial obligations and living expenses without hardship. A net servicing ratio (NSR) is used:  $NSR = \text{Total monthly commitments} / \text{Total net monthly income}$

- A maximum of 4 borrowers income can be used in the servicing assessment.
- Pensions, family and child support payments are non-taxable<sup>3</sup>

<b>Net servicing ratio (NSR)</b>	<p>Net servicing ratio (NSR) is the ratio of all commitments as a percentage of the borrowers net (after tax) income.</p> <p>The maximum NSR limits are:</p> <table border="1"> <thead> <tr> <th>Loan amounts</th> <th>Maximum NSR</th> </tr> </thead> <tbody> <tr> <td>Up to and including \$750,000</td> <td>100%</td> </tr> <tr> <td>Greater than \$750,000</td> <td>95%</td> </tr> </tbody> </table>	Loan amounts	Maximum NSR	Up to and including \$750,000	100%	Greater than \$750,000	95%															
Loan amounts	Maximum NSR																					
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<b>Eligible non-residents</b>	Where a borrower is a non-resident their income is to be converted to Australian Dollars and must not exceed 90% NSR as determined using the QBE LMI's servicing capacity calculator.																					
<b>Assessment interest rate</b>	<p>The assessment interest rate is reviewed regularly and adjusted in line with market rate movements.</p> <p>A borrower's capacity to repay will be determined using the assessment rate, unless the lender's actual loan product rate is higher, regardless of loan product selected. In instances where the lender's product rate is higher, then the higher rate will be used.</p>																					
<b>Living allowances</b>	<p>The cost of living assumptions vary according to a borrowers' family unit and are reviewed annually, using the March data of the Household Expenditure Model (HEM) as a guide.</p> <p>13 November 2017 allowances:</p> <table border="1"> <thead> <tr> <th>Description</th> <th>Living allowance per annum</th> <th>Living allowances per month</th> </tr> </thead> <tbody> <tr> <td>Single - boarding</td> <td>\$17,868</td> <td>\$1,489</td> </tr> <tr> <td>Couple - boarding</td> <td>\$25,752</td> <td>\$2,146</td> </tr> <tr> <td>Single</td> <td>\$17,868</td> <td>\$1,489</td> </tr> <tr> <td>Couples</td> <td>\$28,752</td> <td>\$2,396</td> </tr> <tr> <td>Children</td> <td>\$7,176</td> <td>\$598</td> </tr> <tr> <td>2nd and subsequent children</td> <td>\$6,312</td> <td>\$526</td> </tr> </tbody> </table> <p>HEM data is subscribed through and provided by the Melbourne Institute of Applied Economic and Social Research, Melbourne.</p> <p>A borrowers capacity to repay will be determined using the higher of either:</p> <ul style="list-style-type: none"> <li>• The borrowers declared living expenses, OR</li> <li>• The lender's living allowances, OR</li> <li>• The minimum living expenses in the above table.</li> </ul>	Description	Living allowance per annum	Living allowances per month	Single - boarding	\$17,868	\$1,489	Couple - boarding	\$25,752	\$2,146	Single	\$17,868	\$1,489	Couples	\$28,752	\$2,396	Children	\$7,176	\$598	2nd and subsequent children	\$6,312	\$526
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Couples	\$28,752	\$2,396																				
Children	\$7,176	\$598																				
2nd and subsequent children	\$6,312	\$526																				
<b>Total credit card limit</b>	Monthly credit card repayments are calculated at 3% of the total limit.																					
<b>Other commitments</b>	<p>These vary according to a borrowers individual circumstances.</p> <p>Additional costs such as private school fees must be included.</p>																					
<b>Other mortgage commitments</b>	Where a borrower has other mortgage commitments, these repayments must be factored into the servicing assessment. A borrowers capacity to repay will be determined using the higher of the current repayment amount or the repayment amount determined using the assessment rate.																					
<b>Borrowers approaching retirement</b>	<p>Investigations into a borrowers repayment strategy from the time the main income earning borrower retires are to be fully documented and verified.</p> <p>The maximum loan term for a borrower who is 55 years of age or more, purchasing an owner occupied home, is 30 years.</p>																					
<b>Split loans</b>	Where the total loan amount is split between fixed and floating interest rates, the assessment interest rate is to apply for the total loan amount.																					
<b>Interest only loans</b>	Where the total loan amount is interest only, a borrowers capacity to repay will be determined using the remaining principal and interest period.																					

<sup>3</sup>Refer to the expanded income section for specific criteria relating to the acceptance of Allowances, Pensions, & Government support payments

## 8. Property / security

Lenders must hold a 1st charge registered mortgage over the property securing the loan that we are insuring.

### 8.1 Acceptable property type

Residential property type	Maximum LVR	
	Full income documentation	Self certified
Unit, townhouse, villa	95%	80%
Apartment / unit	95%	80%
Residential vacant land ≤ 1,500 sqm	95%	80%
Off the plan purchase	95%	80%
High density apartment	80%	80%
Serviced apartment	70%	70%
Warehouse conversion	90%	80%
Heritage listed	90%	80%

  

Rural property type	Maximum LVR	
	Full income documentation	Self certified
Lifestyle ≤ 50 ha	90%	Not available
Lifestyle ≤ 10 ha	90%	80%
Rural vacant land ≤ 50 ha	80%	Not available
Rural vacant land ≤ 10 ha	80%	80%

### 8.2 Unacceptable property type

- Property located outside Australia (Mainland and Tasmania only – coastal islands on application).
- Commercial or industrial property
- Vacant Land where the Borrower has no intention to construct a dwelling at a future time i.e. no speculative land purchases or land accumulation for development
- Vacant Land where there are covenants or conditions in a Contract of Sale or on the property's title, that may result in a repurchase less than market value
- Properties less than 40 square metres (excluding balconies and parking)
- Properties with a residential building located within 50 metres of existing or proposed high tension power transmission lines or stanchion
- Properties not valued on a single residential basis. i.e. where the value of the property includes an amount for redevelopment potential
- Strata Title unit property is an unacceptable security type for construction loans
- Off the Plan unit purchase (where completion exceeds 6 months)
- Exhibition / display home
- Specialist rural property (e.g. farm, vineyard etc)
- Unit in a strata hotel/motel
- Unit in a retirement or Over 55's complex
- Resort style dwellings
- Mobile Homes
- Studios and Bedsitters
- Conversions (other than warehouse conversions)
- Unit developments where the development is held as security and the number of dwellings exceeds 4 units
- Leasehold properties (where the lease is not a Crown lease or term of lease holding does not exceed LMI policy by 5 years)
- Time-share properties
- Company title, Stratum title, Moiety title and Purple title properties
- Properties affected by contamination
- Subject to resumption orders by State or Commonwealth authorities

### 8.3 Assessed on a case by case basis

Security properties located in areas designated by local government authorities as being affected by landslip, flooding or mine subsidence can be considered on a case by case basis.

## 9. Property type

Property used to secure a home loan needs to meet all standard underwriting criteria and the following requirements:

Description	Requirements
<b>New or existing detached, semi-detached Unit, Townhouse, Villa type dwelling in a residential development</b>	<p>Includes leasehold properties with a Crown lease expiring no less than 5 years after maturity of the loan.</p> <p>Strata Title unit property is an unacceptable security type for construction loans.</p> <p>The dwelling is to be:</p> <ul style="list-style-type: none"> <li>• <math>\geq 40</math> sqm in size and have at least one bedroom (separate from living areas)</li> <li>• Configuration to include bedroom(s), lounge/dining, kitchen/laundry, bathroom or bathroom/laundry</li> <li>• Settlement of off-the-plan property developments must be completed within 6 months</li> <li>• A copy of the contract of sale is required</li> <li>• A registered valuation is required for all self certified loans and full income documentation loans where the LVR is greater than 80% or the security property is high density or in a national location.</li> </ul>
<b>High density development</b>	<p>Any security located in a building having 6 or more floors or more than 50 accommodation units.</p> <p>Strata Title unit property is an unacceptable security type for construction loans.</p> <p>A registered valuation is required and must contain two recent comparable sales outside the development and the unit must be:</p> <ul style="list-style-type: none"> <li>• <math>\geq 40</math> sqm in size (excluding balconies and parking).</li> <li>• configured to include at least one bedroom (separate from living areas), lounge/dining, kitchen/laundry, bathroom or bathroom/laundry</li> </ul> <p>Exposure is restricted to less than 10% of apartments in any one high-density development.</p> <p>Settlement of off-the-plan property developments must be completed within 6 months of the LMI approval.</p>
<b>Serviced apartment</b>	<p>A security property that has a managed and/or pooled rental agreement generating a fixed yield to the owner regardless of whether the owners individual unit is rented in any period or not. These will include individual units or those pooled and subject to the Managed Investments Act.</p> <p>Strata Title unit property is an unacceptable security type for construction loans.</p> <ul style="list-style-type: none"> <li>• A registered valuation is required and must be provided on the basis of vacant possession with no account taken of serviced apartment lease or furniture packages.</li> <li>• Lease agreements are to be sighted and include provision for borrowers to void the lease if the serviced apartment operator defaults on the rental payment or enters into administration / liquidation, and to have full access to the apartment if this occurs.</li> </ul>
<b>Lifestyle property</b>	<p>A dwelling on rural zoned land is acceptable when all services are connected : (i.e. includes a drinkable water supply, has public all weather road access and is attached to the national electricity grid).</p> <p>A registered valuation is required and the property is:</p> <ul style="list-style-type: none"> <li>• Major use is a residential property and residential use is a complying use of the land</li> <li>• Not income producing, or generates only "hobby farm" income levels which are excluded from the security value (Valuation) and servicing calculation.</li> </ul> <p>The dwelling must be:</p> <ul style="list-style-type: none"> <li>• <math>\geq 40</math> sqm in size and have at least one bedroom (separate from living areas)</li> <li>• Configuration to include bedroom(s), lounge/dining, kitchen/laundry, bathroom or bathroom/laundry</li> <li>• Improvements must represent a minimum of 50% of the property value, and the Valuer must not have high property and / or market risk ratings.</li> </ul>
<b>Residential vacant land</b>	<p>Residential vacant land is acceptable where there is an intention to build and all services are connected (i.e. includes town water, sealed public road access and attached to the national electricity grid).</p> <p>A registered valuation is required and the:</p> <ul style="list-style-type: none"> <li>• property is to be <math>&lt; 1,500</math> sqm in metropolitan &amp; regional locations.</li> </ul> <p>National and vacant blocks <math>\geq 1,500</math> sqm will be considered on a case by case basis.</p> <p>Line of credit is not an acceptable loan type.</p> <p>Strata Title unit property is an unacceptable security type for construction loans.</p> <p>Vacant Land where there are covenants or conditions in a Contract of Sale or on the property's title, that may result in a repurchase less than market value is an unacceptable security type for construction loans.</p>

<b>Rural vacant land</b>	<p>Rural vacant land is acceptable where there is an intention to build and all services are connected (i.e. includes a drinkable water supply, has public all weather road access, and is attached to the national electricity grid).</p> <p>A registered valuation is required and the:</p> <ul style="list-style-type: none"> <li>• property is to be &lt; 50 hectares in size</li> <li>• Major use is a residential property and residential use is a complying use of the land</li> <li>• Not income producing, or generates only "hobby farm" income levels which are excluded from the security value (Valuation) and servicing calculation.</li> </ul> <p>Line of credit is not an acceptable loan type.</p> <p>Vacant Land where there are covenants or conditions in a Contract of Sale or on the property's title, that may result in a repurchase less than market value is an unacceptable security type for construction loans.</p>
<b>Construction of a property</b>	<p>Building a dwelling in a residential development or rural setting requires careful management by the borrower and lender.</p> <p>An acceptable water supply, sealed public road access, &amp; electricity must be connected to the site.</p> <p>A registered valuation is required and the:</p> <ul style="list-style-type: none"> <li>• Land size for metropolitan and regional locations must be ≤ 1,500 sqm</li> <li>• maximum land size for full income documentation loans is 50 hectares for a lifestyle property</li> <li>• maximum land size for self certified loans is 10 hectares for a lifestyle property</li> <li>• Minimum dwelling size is 40 square metres (excluding balconies and parking)</li> <li>• minimum of one bedroom (separate from living areas)</li> <li>• dwelling configuration to include bedroom(s), lounge/dining, kitchen/laundry, bathroom or bathroom/laundry</li> <li>• The improvements are completed within twelve months of the initial loan advance</li> <li>• Settlement of off-the-plan property developments must be completed within 6 months.</li> </ul> <p>Strata Title unit property is an unacceptable security type for construction loans.</p> <p>Vacant Land where there are covenants or conditions in a Contract of Sale or on the property's title, that may result in a repurchase less than market value is an unacceptable security type for construction loans.</p>

## 10. Loan purpose

Home loan proceeds are to be used for the reason(s) disclosed in a borrowers home loan application and be acceptable to QBE LMI.

### 10.1 Acceptable loan purpose

Description	Criteria				
Purchase	Purchasing an owner-occupied or investment property in a residential development or rural lifestyle setting.				
	Documentation	Max LVR	Metropolitan	Regional	National
	Full income documentation	95%	\$900,000	\$600,000	\$275,000
		90%	\$1,200,000	\$900,000	\$550,000
	Self certified	80%	\$1,000,000	\$500,000	\$250,000
	<b>Note:</b> LVR & maximum loan amounts are subject to property type and first home buyer criteria.				

Description	Criteria																											
Refinance of an existing house & land home loan	<p>A Refinance Loan is where the loan purpose is to pay out an existing home loan (usually through another Lender) using the same security property. Refinance Loans may, in addition to the home loan being refinanced, include other loan purposes such as funds for the purchase of an investment or the refinancing of personal loans, credit card debts etc.</p> <p>It may also cover instances where a Lender has had an uninsured loan but because of a top-up requires LMI.</p>																											
	<table border="1"> <thead> <tr> <th>Documentation</th> <th>Max LVR</th> <th>Metropolitan</th> <th>Regional</th> <th>National</th> </tr> </thead> <tbody> <tr> <td>Full income documentation</td> <td>95%</td> <td>\$900,000</td> <td>\$600,000</td> <td>\$275,000</td> </tr> <tr> <td></td> <td>90%</td> <td>\$1,200,000</td> <td>\$900,000</td> <td>\$550,000</td> </tr> <tr> <td>Self certified</td> <td>80%</td> <td>Not available</td> <td></td> <td></td> </tr> </tbody> </table> <p><b>Note:</b> Where the LVR is greater than 90%, the maximum loan amount is restricted to the amount of the existing home loan and reasonable costs.</p> <p>Maximum LVR and loan amounts are subject to property type restrictions.</p> <p>A registered valuation is required and:</p> <ul style="list-style-type: none"> <li>Vacant land loans will be considered where the additional loan is to be used for the construction of the dwelling (see section 11)</li> <li>Where the funds are being either fully or in part released directly to the borrower, cash out criteria is to apply.</li> </ul> <p>Lenders must:</p> <ul style="list-style-type: none"> <li>Provide 3 or 6 months statements for the existing home loan and any other debts being refinanced and must show consistent repayment history with no evidence of arrears, late or reversed payments, late fees or default charges.</li> </ul> <table border="1"> <thead> <tr> <th>Type of facility</th> <th>Period</th> </tr> </thead> <tbody> <tr> <td>Home loan</td> <td>6 consecutive months</td> </tr> <tr> <td>Personal / consumer loan</td> <td>6 consecutive months</td> </tr> <tr> <td>Credit / store card</td> <td>3 consecutive months</td> </tr> </tbody> </table> <p><b>AND</b></p> <p>Hold evidence that council rates, water rates, body corporate levies; strata title levies are paid up to date as at the last billing statement. If they are not up to date then this is considered to be unacceptable history for a refinance application.</p> <p><b>AND</b></p> <p>Provide evidence that costs are reasonable where the LVR is greater than 90%.</p>	Documentation	Max LVR	Metropolitan	Regional	National	Full income documentation	95%	\$900,000	\$600,000	\$275,000		90%	\$1,200,000	\$900,000	\$550,000	Self certified	80%	Not available			Type of facility	Period	Home loan	6 consecutive months	Personal / consumer loan	6 consecutive months	Credit / store card
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Type of facility	Period																											
Home loan	6 consecutive months																											
Personal / consumer loan	6 consecutive months																											
Credit / store card	3 consecutive months																											
Refinance of a land loan for construction purposes	<p>The initial loan purpose would have been the purchase of a vacant block of land. The main purpose of this additional loan is to now build the dwelling. It is in effect a 'construction loan' and will be underwritten as such.</p>																											
	<table border="1"> <thead> <tr> <th>Documentation</th> <th>Max LVR</th> <th>Metropolitan</th> <th>Regional</th> <th>National</th> </tr> </thead> <tbody> <tr> <td>Full income documentation</td> <td>95%</td> <td>\$900,000</td> <td>\$600,000</td> <td>\$275,000</td> </tr> <tr> <td></td> <td>90%</td> <td>\$1,200,000</td> <td>\$900,000</td> <td>\$550,000</td> </tr> <tr> <td>Self certified</td> <td>80%</td> <td>Not available</td> <td>Not available</td> <td>Not available</td> </tr> </tbody> </table> <p><b>Note:</b> LVR &amp; maximum loan amounts are subject to property type.</p> <p>A registered valuation is required and:</p> <ul style="list-style-type: none"> <li>Fixed price contract acceptable to the lender and reviewed by the valuer in terms of their updated assessment</li> <li>Where the funds are being either fully or in part released directly to the borrower, cash out criteria is to apply.</li> </ul> <p>Where the initial land loan was advanced by the lender providing construction finance, the lender must:</p> <ul style="list-style-type: none"> <li>Confirm satisfactory repayment history for the past 6 months or the period for which the loan has been insured.</li> </ul> <p>Where a lender is refinancing an external land loan and providing construction finance, the lender must:</p> <ul style="list-style-type: none"> <li>Provide a minimum of 6 months home loan statements for the land loan confirming satisfactory repayment history, and</li> <li>Hold evidence that council rates are paid up to date as at the last billing statement.</li> </ul> <p>Vacant Land where there are covenants or conditions in a Contract of Sale or on the property's title, that may result in a repurchase less than market value is an unacceptable security type for construction loans.</p>	Documentation	Max LVR	Metropolitan	Regional	National	Full income documentation	95%	\$900,000	\$600,000	\$275,000		90%	\$1,200,000	\$900,000	\$550,000	Self certified	80%	Not available	Not available	Not available							
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Description	Criteria															
Bridging Loan	Borrowers settling on the purchase of a new property often choose a bridging loan while waiting on the sale of their existing property. Due to significant price volatility and extended sale periods, national locations and small population areas are not acceptable.															
	<table border="1"> <thead> <tr> <th>Documentation</th> <th>Max LVR</th> <th>Metropolitan</th> <th>Regional</th> </tr> </thead> <tbody> <tr> <td>Full income documentation</td> <td>85%</td> <td>\$1,200,000</td> <td>\$900,000</td> </tr> <tr> <td>Self certified</td> <td>80%</td> <td>\$1,000,000</td> <td>\$500,000</td> </tr> </tbody> </table> <p><b>Note:</b> LVR &amp; maximum loan amounts are subject to property type</p> <p>The following conditions apply:</p> <ul style="list-style-type: none"> <li>• Vacant land is an unacceptable security type</li> <li>• Maximum LVR including any capitalisation of interest</li> <li>• Maximum bridging period 6 months (12 months for construction may be considered)</li> <li>• Servicing capacity is tested on peak debt (calculated at the interest only rate) and on reduced debt post-sale at normal P&amp;I rates. Where ultimate residence would require a change in income source for the borrower, this must be addressed in the application</li> <li>• Maximum peak debt including capitalised interest is not to exceed the sum of the location amounts that would normally be covered under QBE LMI's location guidelines for the postcode areas in which the properties are located</li> </ul> <p>For example:</p> <p>If both securities are in postcode areas where policy permits 85% LVR lending, then maximum peak debt amount is the sum of the 85% LVR maximum lending limits for each individual security's specific location (i.e. if one postcode area allows \$500,000 max at 85% LVR, and the other postcode area allows \$350,000 max at 85% LVR, then the maximum available bridging cover is \$850,000 at 85% LVR including capitalised interest).</p>	Documentation	Max LVR	Metropolitan	Regional	Full income documentation	85%	\$1,200,000	\$900,000	Self certified	80%	\$1,000,000	\$500,000			
Documentation	Max LVR	Metropolitan	Regional													
Full income documentation	85%	\$1,200,000	\$900,000													
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Business Loan	Business Loans are limited to funding a borrowers current business.															
	Where a borrower wishes to use the funds for "investment" in another business in which they are not involved and upon which debt servicing is not reliant, this is classified as an investment loan.															
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Full income documentation	90%	\$500,000	\$500,000	\$500,000												
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Consumer Loan	Consumer loans are used to finance the purchase of durables (e.g. cars, boats, house furnishings).															
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Description	Criteria																				
Debt Consolidation Loan	The purpose of a debt consolidation loan is to repay a borrower's other debts. This may arise only as a top up or additional loan to be insured under an existing policy.																				
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Credit / store card	3 consecutive months																				
Equity release / cash out	Loan proceeds that are being either fully or in part released directly to the borrower (including line of credit facilities), regardless of the purpose, are subject to the following limits:																				
	<table border="1"> <thead> <tr> <th>Documentation</th> <th>Maximum LVR</th> <th>Maximum Amount</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Full income documentation</td> <td>≤ 75%</td> <td>Unlimited</td> </tr> <tr> <td>&gt; 75% ≤ 90%</td> <td>\$100,000</td> </tr> <tr> <td>Self certified</td> <td>≤ 80%</td> <td>\$100,000</td> </tr> </tbody> </table> <p>Full disclosure of what the loan proceeds are to be used for is mandatory and must be acceptable.</p> <p>Applications in excess of these parameters may be considered where:</p> <ul style="list-style-type: none"> <li>• There is supporting documentation evidencing use of funds</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>• The lender controls the release of funds.</li> </ul> <p>Examples of acceptable supporting documentation are:</p> <ul style="list-style-type: none"> <li>• Builders quote</li> <li>• Purchase contract</li> <li>• Confirmation from a financial planner or accountant as to the intended use of funds.</li> </ul> <p>Lenders must:</p> <ul style="list-style-type: none"> <li>• Confirm satisfactory repayment history for the past 6 months.</li> </ul> <p>Where a lender is refinancing an external home loan and providing cash out, the application must also meet the refinance of an existing home loan policy.</p>	Documentation	Maximum LVR	Maximum Amount	Full income documentation	≤ 75%	Unlimited	> 75% ≤ 90%	\$100,000	Self certified	≤ 80%	\$100,000									
Documentation	Maximum LVR	Maximum Amount																			
Full income documentation	≤ 75%	Unlimited																			
	> 75% ≤ 90%	\$100,000																			
Self certified	≤ 80%	\$100,000																			



Description	Criteria															
Home improvements / renovations	Depending on the level & nature of work being undertaken, full disclosure of what the loan proceeds are to be used for is mandatory and must be acceptable.															
	<table border="1"> <thead> <tr> <th>Documentation</th> <th>Max LVR</th> <th>Metropolitan</th> <th>Regional</th> <th>National</th> </tr> </thead> <tbody> <tr> <td>Full income documentation</td> <td>90%</td> <td>\$1,200,000</td> <td>\$900,000</td> <td>\$550,000</td> </tr> <tr> <td>Self-certified</td> <td>80%</td> <td>\$1,000,000</td> <td>\$500,000</td> <td>\$250,000</td> </tr> </tbody> </table>	Documentation	Max LVR	Metropolitan	Regional	National	Full income documentation	90%	\$1,200,000	\$900,000	\$550,000	Self-certified	80%	\$1,000,000	\$500,000	\$250,000
	Documentation	Max LVR	Metropolitan	Regional	National											
	Full income documentation	90%	\$1,200,000	\$900,000	\$550,000											
Self-certified	80%	\$1,000,000	\$500,000	\$250,000												
<p><b>Note:</b> LVR &amp; maximum loan amounts are subject to property type.</p> <p>The following conditions apply:</p> <ul style="list-style-type: none"> <li>Where the funds are being either fully or in part released directly to the borrower, cash out criteria is to apply</li> <li>An updated valuation is required where the LVR is based on an 'on completion' value.</li> </ul> <p>Where the initial home loan was advanced by the lender providing home improvement finance, the lender must:</p> <ul style="list-style-type: none"> <li>Confirm satisfactory repayment history for the past 6 months.</li> </ul> <p>Where a lender is refinancing an external home loan and providing home improvement finance, the application must also meet the refinance of an existing home loan policy.</p>																
Investment Loan	Where a borrower wishes to use the funds for "investment" in something other than real estate (e.g. business venture, shares, gold) upon which debt servicing is not reliant.															
	<table border="1"> <thead> <tr> <th>Documentation</th> <th>Max LVR</th> <th>Metropolitan</th> <th>Regional</th> <th>National</th> </tr> </thead> <tbody> <tr> <td>Full income documentation</td> <td>90%</td> <td>\$1,200,000</td> <td>\$900,000</td> <td>\$550,000</td> </tr> <tr> <td>Self-certified</td> <td>80%</td> <td>\$1,000,000</td> <td>\$500,000</td> <td>\$250,000</td> </tr> </tbody> </table>	Documentation	Max LVR	Metropolitan	Regional	National	Full income documentation	90%	\$1,200,000	\$900,000	\$550,000	Self-certified	80%	\$1,000,000	\$500,000	\$250,000
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	Full income documentation	90%	\$1,200,000	\$900,000	\$550,000											
	Self-certified	80%	\$1,000,000	\$500,000	\$250,000											
<p><b>Note:</b> LVR &amp; maximum loan amounts are subject to property type.</p> <p>The following conditions apply:</p> <ul style="list-style-type: none"> <li>Vacant land is an unacceptable security type</li> <li>Where the funds are being either fully or in part released directly to the borrower, cash out criteria is to apply.</li> </ul> <p>Where the initial home loan was advanced by the lender providing investment finance, the lender must:</p> <ul style="list-style-type: none"> <li>Confirm satisfactory repayment history for the past 6 months.</li> </ul> <p>Where a lender is refinancing an external home loan and providing investment finance, the application must meet the refinance of an existing home loan policy.</p>																
Second Mortgage	<p>Maximum aggregate loan (i.e. total of first and second mortgage loans) is subject to the limits within this guide. A second mortgage is acceptable when:</p> <ul style="list-style-type: none"> <li>The first mortgagee is also the second mortgagee (where the first mortgage is granted under the Defence Service Home Loan scheme a second mortgage with another lender is acceptable subject to our agreement); and</li> <li>The first mortgage is already insured with QBE LMI (where the first mortgage is granted under the Defence Service Home Loan scheme a second mortgage with another lender is acceptable subject to our agreement).</li> <li>Where the first mortgage is uninsured then it must also be insured together with the second mortgage.</li> <li>Subject to maximum LVR limit set for security type, location and loan purpose.</li> </ul> <p>The premium rate will be determined on the combined LVR and loan amount less the premium paid on the first mortgage.</p>															

## 10.2 Unacceptable loan purposes

- Development loans (irrespective of how many units are involved), including refinance of property development loans
- Strata Title unit property is an unacceptable security type for construction loans
- Vacant Land where there are covenants or conditions in a Contract of Sale or on the property's title, that may result in a repurchase less than market value is an unacceptable security type for construction loans
- Purchase or refinance of properties not valued on a single residential basis (ie. where the value of the property includes an amount for redevelopment potential)
- Owner builders
- Builder programs
- Payment of taxation liabilities
- Private mortgages or refinance of a private mortgage (including Solicitor's and WRAP loans)
- Refinance of vendor finance loans
- Off the plan unit sales > 6 months
- Second mortgages over vacant land or non-amortising loans
- Shared equity loans
- Reverse mortgages
- Third party mortgages i.e. where any security offered has one or more mortgagor/s who is neither a borrower nor a guarantor in the loan structure proposed
- Loans where another LMI is insuring any mortgage over proposed QBE LMI security

QBE LMI should be contacted to confirm the maximum combined loan amount and LVR where a combination of:

- Security types
- Loan types
- Purposes or
- LMI products

may apply.

## 11. Product parameters

### 11.1 Loan to value ratio (LVR) Limits

The loan to value ratio is calculated by dividing the loan amount by the purchase price or valuation, whichever is the lower.

#### 11.1.1 Full income documentation

Loan Purpose	ImiHome™	ImiFirst Home™	ImiInvest™
Purchase of a new or existing Unit / Townhouse / Villa	95%	95%	95%
Purchase of a vacant block of land	95%	Not available	95%
Construction of property (house & land package)	95%	95%	95%
Refinance of an existing home loan	95%	Not available	95%
Refinance of a land loan for construction purposes	95%	95%	95%
Business Loan (maximum loan amount of \$500k)	85%	Not available	85%
Bridging Finance (not vacant land)	85%	Not available	85%
Debt Consolidation	90%	Not available	90%
Home Improvement / Renovations	90%	Not available	90%
Consumer Loan	90%	Not available	90%
Investment Loan (not real estate)	90%	Not available	90%
Equity Release (cash out)	90%	Not available	90%

#### 11.1.2 Self certified

Loan Purpose	ImiHome™	ImiFirst Home™	ImiInvest™
Purchase of a new or existing Unit / Townhouse / Villa	80%	Not available	80%
Purchase of a vacant block of land	80%	Not available	80%
Construction of property (house & land package)	80%	Not available	80%
Refinance of an existing home loan	Not available	Not available	Not available
Refinance of a land loan for construction purposes	Not available	Not Available	Not available

Bridging Finance	80%	Not Available	80%
Debt Consolidation	Not available	Not Available	Not available
Business Loan (maximum loan amount of \$500k)	80%	Not Available	80%
Home Improvement / Renovations	80%	Not Available	80%
Consumer Loan	80%	Not Available	80%
Investment Loan (not real estate)	80%	Not Available	80%
Equity Release (cash out)	80%	Not Available	80%

## 11.2 ImiHOME™

### 11.2.1 Full income documentation

Purchase, construction or refinance of an owner occupied home.

Location	Property type	70% LVR	80% LVR	90% LVR	95% LVR
<b>Metropolitan</b>	Unit / Townhouse / Villa	\$1,200,000	\$1,200,000	\$1,200,000	\$900,000
	Vacant land ≤ 1,500 sqm	\$720,000	\$720,000	\$720,000	\$600,000
	High Density Unit ≥ 40 sqm	\$1,200,000	\$1,200,000	Not available	Not available
<b>Regional</b>	Unit / Townhouse / Villa	\$900,000	\$900,000	\$900,000	\$600,000
	Vacant land ≤ 1,500 sqm	\$600,000	\$600,000	\$600,000	Not Available
	High Density Unit ≥ 40 sqm	\$900,000	\$900,000	Not available	Not available
	Lifestyle Property	\$900,000	\$900,000	\$900,000	Not available
	Rural Vacant Land	\$900,000	\$900,000	Not available	Not available
<b>National</b>	Unit / Townhouse / Villa	\$550,000	\$550,000	\$550,000	\$275,000
	Residential vacant land	\$330,000	\$330,000	\$330,000	Not Available
	Lifestyle Property	\$550,000	\$550,000	\$550,000	Not available
	Rural Vacant Land	\$550,000	\$550,000	Not available	Not available
Loan type	Details	70% LVR	80% LVR	90% LVR	95% LVR
	Principal & Interest (P&I)	Yes	Yes	Yes	Yes
	Interest Only (10 years, converting to P&I)	Yes	Yes	Yes	Yes
	Line of Credit (25 years, up to \$750,000)	Yes	Yes	Yes	Not available

### 11.2.2 Self certified

Purchase, construction or refinance of an owner occupied home.

Location	Property type	70% LVR	80% LVR
<b>Metropolitan</b>	Unit / Townhouse / Villa	\$1,000,000	\$1,000,000
	Vacant land ≤ 1,500 sqm	\$500,000	\$500,000
	High Density Unit ≥ 40 sqm	\$1,000,000	\$1,000,000
<b>Regional</b>	Unit / Townhouse / Villa	\$500,000	\$500,000
	Vacant land ≤ 1,500 sqm	\$500,000	\$500,000
	High Density Unit ≥ 40 sqm	\$500,000	\$500,000
	Lifestyle Property	\$500,000	\$500,000
	Rural Vacant Land	\$500,000	\$500,000
<b>National</b>	Unit / Townhouse / Villa	\$250,000	\$250,000
	Residential vacant land	\$250,000	\$250,000
	Lifestyle Property	\$250,000	\$250,000
	Rural Vacant Land	\$250,000	\$250,000
Loan type		70% LVR	80% LVR
	Principal & Interest (P&I)	Yes	Yes
	Interest Only (10 years, converting to P&I)	Yes	Yes
	Line of Credit (25 years, up to \$750,000)	Yes	Yes

## 11.3 ImiFirst Home™

### 11.3.1 Full income documentation

Purchase or construction of an owner occupied home for first home buyers.

Location	Property type (minimum 1 bedroom)	80% LVR	90% LVR	95% LVR
Metropolitan	Unit / Townhouse / Villa	\$1,200,000	\$1,200,000	\$900,000
	High Density Unit ≥ 40 sqm	\$1,200,000	Not available	Not available
Regional	Unit / Townhouse / Villa	\$900,000	\$900,000	\$600,000
	High Density Unit ≥ 40 sqm	\$900,000	Not available	Not available
	Lifestyle Property	\$900,000	\$900,000	Not available
National	Unit / Townhouse / Villa	\$550,000	\$550,000	\$275,000
	Lifestyle Property	\$550,000	\$550,000	Not available
<b>Property type</b>	Vacant land is not acceptable on it's own. <ul style="list-style-type: none"> <li>If a borrower buys a vacant block of land but has not contracted a builder to build their home, the premium will be calculated at the standard rate. The ImiFirst Home product option can still be used because once the builder has been contracted and the top up to construct has been submitted the FHB discount will apply to the total loan amount.</li> <li>A vacant block must comply with standard criteria subject to the above limits.</li> </ul>			
Loan type	Details	80% LVR	90% LVR	95% LVR
	Principal & Interest (P&I)	Yes	Yes	Yes
	Interest Only (available during construction)	Yes	Yes	Yes
<b>Additional criteria</b>				
<b>Security</b>	<ul style="list-style-type: none"> <li>Subject to security type and loan purpose parameters.</li> <li>The property must be in good condition in an active property market and be acceptable to QBE LMI.</li> <li>Vacant land is acceptable as part of a house and land construction package.</li> <li>2nd Mortgages are unacceptable.</li> </ul>			
<b>Additional loans</b>	<ul style="list-style-type: none"> <li>Must be assessed under ImiHome criteria unless the top up is to construct the dwelling which is part of a house &amp; land package.</li> </ul>			
<b>Genuine savings</b>	<ul style="list-style-type: none"> <li>Where the LVR is above 90% at least 5% of the purchase price must be provided by the borrower from genuine savings - the first home owner grant will not be considered as an acceptable substitute for genuine savings.</li> <li>Where 3 months savings account history is not available, QBE LMI will accept a Borrowers rental history for the past 6 months. One of the following options must be provided along with the savings account history that is available:               <ul style="list-style-type: none"> <li>The past 6 consecutive months rental statements, from the real estate agent managing the property, evidencing rent paid in the name of at least one borrower: or</li> <li>The past 6 consecutive months transaction account statements, of an account in the name of at least one of the borrowers, showing clearly identified rental payments being paid.</li> </ul> </li> <li>Rental history must show consistent and timely payments. Any payment overdue by 7 days or more is unacceptable. The latest rental statement must be less than 30 days at the time of the home loan application.               <ul style="list-style-type: none"> <li>Source of funds to complete the transaction must be disclosed and acceptable to QBE LMI</li> </ul> </li> </ul> Note: Borrowed equity and vendor incentives are not acceptable.			
<b>Pricing</b>				
<b>Premium discount</b>	8% premium discount to standard customer pricing when: <ul style="list-style-type: none"> <li>Borrowers have a clear credit report (no defaults or poor repayment history) and are either:               <ul style="list-style-type: none"> <li>Eligible to receive the first home owners grant, or</li> <li>Eligible to receive stamp duty concessions or exemptions, or</li> <li>Able to demonstrate* that they haven't or do not currently own a home.</li> </ul> </li> </ul> For a construction loan, the premium can only be discounted when the 'total loan amount' is insured (i.e. the purchase of the vacant land does not qualify for the discount).			

\*Lenders must search a borrowers home loan application and supporting documentation for home ownership.

## 11.4 ImilInvest™

### 11.4.1 Full income documentation

Purchase, construction or refinance of a residential investment property.

Location	Property type	70% LVR	80% LVR	90% LVR	95% LVR
Metropolitan	Unit / Townhouse / Villa	\$1,200,000	\$1,200,000	\$1,200,000	\$900,000
	Vacant land ≤ 1,500 sqm	\$720,000	\$720,000	\$720,000	\$600,000
	High Density Unit ≥ 40 sqm	\$1,200,000	\$1,200,000	Not available	Not available
	Serviced Apartments	\$1,200,000	Not available	Not available	Not available
Regional	Unit / Townhouse / Villa	\$900,000	\$900,000	\$900,000	\$600,000
	Vacant land ≤ 1,500 sqm	\$600,000	\$600,000	\$600,000	Not available
	High Density Unit ≥ 40 sqm	\$900,000	\$900,000	Not available	Not available
	Serviced Apartments	\$900,000	Not available	Not available	Not available
	Lifestyle Property	\$900,000	\$900,000	\$900,000	Not available
National	Unit / Townhouse / Villa	\$550,000	\$550,000	\$550,000	\$275,000
	Vacant land ≤ 1,500 sqm	\$330,000	\$330,000	\$330,000	Not available
	Lifestyle Property	\$550,000	\$550,000	\$550,000	Not available
Loan type		70% LVR	80% LVR	90% LVR	95% LVR
	Principal & Interest (P&I)	Yes	Yes	Yes	Yes
	Interest Only (10 years, converting to P&I)	Yes	Yes	Yes	Yes
	Line of Credit (25 years, up to \$750,000)	Yes	Yes	Yes	Not available

#### Additional criteria

<b>Non resident borrower</b>	An acceptable non-resident is an Australian or New Zealand citizen living in a country other than Australia. Maximum LVR & maximum loan amount restrictions apply.
<b>Credit check</b>	A commercial credit report will be generated for borrowers / guarantors
<b>Income</b>	<ul style="list-style-type: none"> <li>Rent - 80% of the rental return will be used in the servicing assessment</li> </ul>
<b>Servicing assessment</b>	<ul style="list-style-type: none"> <li>The servicing capacity calculator will determine the Negative Gearing Benefit (NGB) allowance on the insured loan.</li> <li>NGB relating to the interest expense of 'other' property investment loans can be applied (these loans do not need to be mortgage insured with QBE LMI).</li> <li>NGB will be off-set against the income of the borrower with the highest taxable income.</li> <li>The negative gearing of investment properties across international borders (Australia / New Zealand) is unacceptable.</li> </ul>

### 11.4.2 Self certified

Purchase, construction or refinance of a residential investment property.

Location	Property type	70% LVR	80% LVR
Metropolitan	Unit / Townhouse / Villa	\$1,000,000	\$1,000,000
	Vacant land ≤ 1,500 sqm	\$500,000	\$500,000
	High Density Unit ≥ 40 sqm	\$1,000,000	\$1,000,000
	Serviced Apartments	\$1,000,000	Not available
Regional	Unit / Townhouse / Villa	\$500,000	\$500,000
	High Density Unit ≥ 40 sqm	\$500,000	\$500,000
	Serviced Apartments	\$500,000	Not available
	Lifestyle Property	\$500,000	\$500,000
National	Unit / Townhouse / Villa	\$250,000	\$250,000
	Lifestyle Property	\$250,000	\$250,000
Loan type		70% LVR	80% LVR
	Principal & Interest (P&I)	Yes	Yes
	Interest Only (10 years, converting to P&I)	Yes	Yes
	Line of Credit (25 years, up to \$750,000)	Yes	Yes

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### Additional criteria

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<b>Credit check</b>	<ul style="list-style-type: none"><li>• A commercial credit report will be generated for borrowers / guarantors</li></ul>
<b>Income</b>	<ul style="list-style-type: none"><li>• Rental – 80% of the rental return from this and other residential rental properties will be used in the servicing assessment</li></ul>
<b>Servicing assessment</b>	<ul style="list-style-type: none"><li>• The servicing capacity calculator will determine the Negative Gearing Benefit (NGB) allowance on the insured loan</li><li>• NGB relating to the interest expense of ‘other’ residential property investment loans can be applied (these loans do not need to be mortgage insured by us)</li><li>• NGB will be off-set against the income of the borrower with the highest taxable income</li><li>• The negative gearing of investment properties across international borders (Australia / New Zealand) can not be applied</li></ul>

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## 12. Minimum Verification Standards

The minimum verification requirements are to be undertaken by or on behalf of the insured lender (“Lender”) when originating and assessing a loan application that will result in an application for lenders’ mortgage insurance (“LMI”). QBE LMI relies on information provided by or on behalf of the lender when agreeing to provide LMI.

QBE LMI requires the lender to verify information used in assessing a loan application prior to submitting the application for LMI to QBE LMI. The lender is ultimately responsible for the accuracy of information provided to QBE LMI, even where the Lender has allowed another person to collect, verify or validate that information.

Evidence obtained by the lender to support the application for LMI and compliance with these minimum verification standards must be retained on the Lender’s file for the life of the loan. Original supporting documentation, or computer generated copies in the case of payslips or bank statements (not transaction listings), must be sighted as part of the verification processes outlined in this document. The person sighting original documents must retain a copy of each document on the loan application file and certify by their signature on each copy that the original has been sighted.

If you require clarification of the minimum verification standards for an individual application for LMI, you should contact your local branch of QBE LMI and our underwriting staff will assist you.

### Objectives

The key objective of these minimum verification standards is to assist the lender and its staff to understand QBE LMI’s minimum requirements regarding the verification and validation of the information in and supporting each application for LMI by the Lender.

#### 12.1 Reasonableness test

Lessons learned from claims paid over the past several years suggest that the following tests of reasonableness provide significant assistance in the loan assessment process.

- The borrower’s income must be reasonable for their occupation.
- The type of income verification documents provided must be typical of the business/industry of the borrower’s employer.
- The grammar, language and spelling in the employment letter must be to the standard expected in the business/industry of the borrower’s employer.
- Adverse matters arising from credit reporting agency enquiries must be investigated and the results of the investigation provided to QBE LMI for consideration.
- Adverse matters and inconsistencies arising from the loan application must be investigated and the results of the investigation provided to QBE LMI for consideration.

**Where minimum verification requirements cannot be met for reasons deemed acceptable to the lender, an answer of “no” must be given to the question posed in the ImiPROPOSAL regarding verification and retention of relevant supporting documentation provided to QBE LMI. This will enable QBE LMI to consider the application for LMI with the knowledge that the lender has not met the minimum verification standards.**

#### 12.2 Income verification

**IMPORTANT NOTE:** All tax file numbers MUST be deleted from all documents prior to submission to QBE LMI.

The Lender must satisfy itself as to the veracity of the borrower’s stated income, using the appropriate options outlined below.

##### 12.2.1 PAYG Salary and Wages

For borrowers who derive income from paid employment, the following documents must be obtained and provided to QBE LMI.

The most recent computer generated payslip showing the borrower’s name, employer’s name and Australian Business Number (ABN) (if applicable), and a minimum of 3 months year to date breakdown of allowances, deductions, income, and tax.

Where the most recent computer generated payslip does not have 3 months year to date financial information, one of the following options must also be used for income verification:

- 3 most recent months computer generated payslips showing the borrower's name, employer's name and ABN (if applicable), a breakdown of allowances, deductions, income, and tax; or
- 3 most recent months transaction account statements from the borrower's financial institution showing salary credits with the name of the borrower's employer evident; or
- An up to date employment letter or contract (signed by the payroll officer, director, manager or proprietor) on company letterhead, stating the borrower's name, occupation, type of employment (full-time, part-time, casual etc.), length of employment, gross salary, allowances, penalty rates, overtime, and deductions; or
- Most recent PAYG Payment Summary; or
- Most recent Australian Tax Office (ATO) Assessment Notice; or
- Most recent Personal Tax Return.

#### **12.2.1.2 Existing Customer Relationship**

Where the borrower is an existing customer of the Lender and holds a transaction account with the Lender into which the borrower's salary is and has been regularly credited:

Salary credits appearing on the three most recent months statements may be treated as income and employment verification, but only if the name of the employer appears with the salary credits. If this option is used, employment verification described in part 12.3 need not be independently conducted.

#### **12.2.1.3 New Customer Relationship**

Where the borrower does not have a transaction account with the Lender or the borrower's salary is not credited into the transaction account in a manner satisfying the terms of part 12.2.1.2 employment verification described in part 12.3 must be independently conducted.

### **12.2.2 Borrowers Employed by Family**

Where the borrower is employed by family or through a family owned or family controlled company, the borrower's most recent ATO Assessment Notice AND most recent computer generated payslip showing the borrower's name, employer's name and ABN (if applicable), a breakdown of allowances, deductions, income, and tax figures must be obtained.

Where the most recent computer generated payslip does not cover 3 months year to date financial information, one of the following options, along with the borrower's most recent ATO Assessment Notice, must be used for income verification:

- 3 most recent months payslips showing the borrower's name, employer's name and ABN (if applicable), a breakdown of allowances, deductions, income and tax; or
- 3 most recent months transaction account statements from the borrower's financial institution showing salary credits with the name of the borrower's employer evident; or
- Most recent PAYG Payment Summary, or
- Most recent Personal Tax Return.

### **12.2.3 Self Employed Borrowers**

For borrowers who derive more than 50% of their income as sole traders or from partnerships, companies or trusts, the following documents must be obtained and provided to QBE LMI.

#### **12.2.3.1 Full income documentation**

- Personal, and where relevant, Business Tax Returns for the last 2 consecutive years  
**and**
- ATO Assessment Notices for the last 2 consecutive years.

Where a borrower has less than two years trading in their current business but two years prior employment in a similar field, QBE LMI may consider an application for LMI on an exception basis.

**IMPORTANT NOTE: Copies of tax returns (on their own) are not sufficient.**

#### **12.2.3.2 Self certified**

- Borrowers must complete a signed statement listing their net income and confirm that they can service all commitments without any hardship  
**and**
- 6 months transactional account statements of the borrowers business trading bank account  
**or**
- 12 months Australian Tax Office (ATO) lodged<sup>4</sup> business activity statements (BAS) for any business that a borrower generates an income.

A borrower must have been trading in their current business for a minimum of two years

**IMPORTANT NOTE: Verification of a borrowers self employment in accordance with part 12.3.1 is required where the self certified is used to confirm income.**

<sup>4</sup>Lodgement date and receipt number or portal receipt is to be provided.

### **12.2.4 Borrowers Approaching Retirement**

Where the highest income earning borrower is approaching retirement at the time of the loan application, and the security property will be an owner occupied home, to meet their responsible lending obligations Lenders need to consider how

the loan will be serviced and repaid from the time the main income earning borrower retires.

Whilst retirement ages vary, in the absence of any evidence to the contrary, Lenders should be making these enquiries where the borrower is 55 years old or more at the time of the loan application.

As well as holding on file documentary evidence that the borrowers have a repayment strategy post retirement, Lenders need to include a file note or commentary detailing what investigations have been completed, what investments have been included and any discounts that have been applied. The name of the person who conducted the verification on behalf of the Lender must also be recorded.

Acceptable evidence of repayment options, being not more than three months old as at the application date, would include:

- Superannuation and or investment statements showing the current balance and contributions made **or**
- Borrowers estimation of age pension or other ongoing income **or**
- Valuation or estimate from a licensed real estate agent and corresponding loan statement for investment real estate assets that could be sold<sup>5</sup> **or**
- Ownership papers of non-real estate assets that could be sold<sup>5</sup> **and**
- Income and employment verification documents as outlined above.

<sup>5</sup>Funds received from the sale of real estate or other assets must be used to repay the home loan in full or reduce a borrowers ongoing servicing requirements to a sustainable level.

### 12.2.5 Company Vehicle / Vehicle Allowance

Where a company vehicle is provided and car costs are to be added back into the borrower's income, reference must be made to the vehicle and/or the vehicle allowance on **one** of the following documents:

- Borrower's payslips **or**
- Borrower's group certificate **or**
- Letter from the borrower's employer confirming the borrower's entitlement to the company vehicle / vehicle allowance.

### 12.2.6 Rental Income

Where rental income is to be included in the borrower's servicing assessment, **one** of the following options must be obtained for each rental property:

- Most recent statement from the real estate agent managing the property evidencing rent received and outgoings paid **or**
- Most recent months transaction account statements showing clearly identified rental credits **or**
- Copy of current tenancy agreement showing current rent, commencement date and termination date (only acceptable if current; not acceptable if the tenancy agreement has expired or is in the holding over period) **or**
- Market rental opinion as stated in a valuation of the property being purchased/refinanced **or**
- Last 2 tax returns and ATO assessment notices (if relevant).

### 12.2.7 Centrelink Income

Where Centrelink Income is to be included in the borrower's servicing assessment **one** of the following options must be provided to confirm receipt of Centrelink Income:

- A letter, dated within the last 6 weeks of the home loan application from Centrelink outlining the:
  - Type of payment (e.g. FTB Part A, Disability Pension etc); and
  - Details of who the benefits are payable for (children's names and ages where applicable); and
  - Amount of payment; and
  - Breakup of payment (e.g. FTB Part A, Part B, Rent Assistance, Pharmaceutical allowance); **or**
- 3 most recent months transaction account statements showing credits received from Centrelink.

### 12.2.8 Child Support

Where child support payments are to be included in a borrower's servicing assessment, each of the following documents must be obtained:

- A letter dated within the last six months from the child support agency showing the amount payable, the names and date of birth of each eligible child, **and**
- 3 most recent months transaction account statements showing credits received.

Amounts received from private arrangements are not acceptable for inclusion in a borrower's servicing assessment.

### 12.2.9 Other Income

For all other income, **each** of the following documents must be obtained:

- Personal tax returns / payment summary, **and**
- ATO assessment notices for the last 2 consecutive years which confirm the level and consistency of "other income".



### 12.3 Employment verification

Where telephone confirmation of employment is required in part 12.2, the Lender must satisfy itself as to the veracity of the borrower's stated employment by:

- Confirming the current telephone number of the Borrower's employer by obtaining a white pages search or from some other independent source, **and**
- Making a telephone call to the Borrower's employer using the independently obtained telephone number and confirming that the Borrower is currently employed in the position stated and, where possible, confirming income information. Details of the telephone call, including the date and time of the call, the name and position of the person who verified the information on behalf of the Borrower's employer must be recorded and retained in the loan file. The name of the person who conducted the verification on behalf of the Lender must also be recorded.

Where telephone confirmation cannot be made for reasons deemed acceptable to the Lender, details of steps taken to verify employment must be recorded and held on file. An answer of "no" must be given to the question posed in the ImiPROPOSAL regarding verification and retention of relevant supporting documentation provided to QBE LMI. This will enable QBE LMI to consider the application for LMI with the knowledge that the Lender has not met the minimum verification standards.

Telephone employment confirmation is not required for borrowers employed by Local, State and Federal Government Departments, and Top 200 ASX listed Companies.

#### 12.3.1 Self Employed Borrowers

Telephone confirmation isn't appropriate in this situation. Instead, lenders and originators should undertake an online ABN, ACN or name search of the business from which the borrowers are drawing an income.

A copy of this search is to be retained on the borrowers file.

### 12.4 Genuine savings

Where a borrower is required to provide at least 5% of the purchase price from genuine savings one or more of the following options must be used to verify the existence of these genuine savings:

- Savings account statements
- Term deposit statements
- Lender's system record of savings or term deposits
- Statement on sale of shares
- Equity in real estate
- Loan contract or loan statement identifying additional repayments that are redrawable
- Payslip identifying a bonus from employer
- Letter from employer confirming payment of a bonus
- Statement identifying withdrawable superannuation funds.

#### 12.4.1 Rental Statements - ImiFIRST HOME

Where 3 months savings account history is not available, QBE LMI will accept a Borrowers rental history for the past 6 months. One of the following options must be provided along with the savings account history that is available:

- 6 most recent months rental statements, from the real estate agent managing the property, evidencing rent paid in the name of at least one borrower: or
- 6 most recent months transaction account statements, of an account in the name of at least one of the borrowers, showing clearly identified rental payments being paid.

Rental history must show consistent and timely payments. Any payment overdue by 7 days or more is unacceptable. The latest rental statement must be no more than 30 days old at the time of the home loan application and include the:

- Full name of the tenant or tenants (one or more of which must be the borrower or borrowers); and
- Address of the property; and
- Commencement date of the tenancy; and
- Amount of rent paid per cycle.

### 12.5 Refinance / debt consolidation

Where the application for LMI relates to a refinance or debt consolidation, QBE LMI requires the lender to verify that the loan being refinanced or the debts being consolidated show a consistent repayment history with no evidence of arrears greater than 15 days past due, default fees or over limit balances. Loan or debt performance must be reviewed by obtaining loan statements for all credit facilities being repaid as follows:

**Home Loans** 6 consecutive months, including the month immediately preceding the month of the application for LMI.

**Personal Loans** 6 consecutive months, including the month immediately preceding the month of the application for LMI.

**Credit Cards** 3 consecutive months, including the month immediately preceding the month of the application for LMI

For refinance loans, QBE LMI requires the Lender to verify that statutory and other property related charges including, where applicable, council rates, body corporate levies and land tax charges are paid up to the date as at the last billing statement. Acceptable evidence would include the most recent billing statement showing no arrears.

## 13. Minimum Valuation Requirements

Each application for lenders mortgage insurance submitted to QBE LMI will be taken to include a representation by the lender that each externally sourced valuation provided in support of the application complies with these Minimum Valuation Requirements.

### 13.1 Professional Membership

Each valuation has been completed by a valuer who is registered or licensed where required in that state or territory. The valuer must also be a member of Australian Property Institute (API), Royal Institution of Chartered Surveyors (RICS) or an equivalent professional body.

### 13.2 Minimum Valuer Qualifications

#### a) Valuations of properties valued at \$1 million or less

Each valuation must be completed by a registered or licensed valuer where required in that state or territory. The valuer must also be a member in one of the AAPI CPV, FAPI CPV, PMAPI RPV or AAPI membership categories or an equivalent membership category of an equivalent professional body.

- AAPI CPV (Associate Member Certified Practising Valuer);
- FAPI CPV (Fellow Member Certified Practising Valuer);
- PMAPI RPV (Provisional Member Residential Property Valuer);
- AAPI (Associate Member in transition to CPV)

Where a valuation is not completed by a certified practicing valuer (CPV), the valuation must be countersigned by a CPV qualified valuer of the firm.

#### b) Valuations of properties valued at more than \$1 million

Each valuation must be completed by a registered or licensed valuer where registration or licensing is required in that state or territory. The valuer must also be a member in one of the AAPI CPV or FAPI CPV membership categories or an equivalent membership category of an equivalent professional body.

Where a valuation is not completed by a FAPI CPV or an AAPI CPV who is a director, partner or principal of the firm, the valuation must be countersigned by another CPV qualified valuer of the firm.

No valuation submitted for a property valued at more than \$1 million can be completed by a PMAPI RPV, or AAPI in transition valuer or an equivalent membership category of an equivalent professional body.

#### c) Counter signatory requirements

The counter signatory must review the draft valuation and working papers, and based upon that review and appropriate questioning of the valuer obtain reasonable satisfaction that the value opinion contained in the valuation has been reached, based on reasonable grounds.

The counter signatory clause as stated by the API must be included in all valuation reports as evidence of that review.

### 13.3 Standard Valuation Report Format

Each valuation submitted is in the API PropertyPro template and includes the four property-related risk ratings and four market-related risk ratings. Each valuation must be ordered by and addressed to the lender, with allowance for use by QBE LMI and be no more than three months old.

### 13.4 Minimum Professional Indemnity Insurance Coverage

QBE LMI has differentiated the professional indemnity insurance requirements by geographic location to metropolitan, regional and national. The following requirements will apply to the valuer company which provided each valuation and the individual valuer who prepared each valuation - compliance with these requirements may be implemented from the next anniversary of renewal of cover (post-effective date of this policy):

Extent of cover	Metropolitan	Regional / National
Professional indemnity insurance - cover per claim of not less than:	\$2,000,000	\$1,000,000
Aggregate liability for claims - Have professional indemnity insurance which does not have an aggregate liability for claims during the policy period less than:	\$4,000,000	\$2,000,000
Excess or deductibility of claims - Valuers are required to have professional indemnity insurance which does not impose an excess or deductible per claim higher than:	\$100,000	\$100,000

### 13.5 Instructions

The Lender must instruct the valuer in relation to preparation of a valuation report on a single residential basis. A valuation report that includes an amount for potential development is unacceptable. Responsibility for this instruction cannot be delegated to any other party in the loan origination process.

### 13.6 Multiple valuations

In the event where the Lender or Lender's agent has received more than one valuation regarding the proposed security property in respect of a loan application, QBE LMI has been provided with a copy of all such valuations.

### 13.7 Disclaimers or Exclusions or Conditions

The Professional Indemnity Policy must not contain disclaimers or exclusions that in any way limit cover in relation to LMI reliance on the valuation.

### 13.8 Exemption

In exceptional circumstances there may be in place risk management strategies aimed at eliminating or reducing one or more of the risks addressed by these Minimum Valuation Requirements. In those circumstances a lender may apply to QBE LMI for exemption from one or more of these Minimum Valuation Requirements. In that event, QBE LMI may, in its absolute discretion, grant to the lender exemption from one or more of these Minimum Valuation Requirements. QBE LMI may grant such exemption on such condition or conditions as QBE LMI considers appropriate in its absolute discretion.

### 13.9 Breach of representation

In the event that the representation that each external sourced valuation provided in support of an application complies with these Minimum Valuation Requirements is not true in whole or in part, QBE LMI may:

- a) avoid the relevant lenders mortgage insurance policy if the misrepresentation was made fraudulently;
- b) reduce its liability under the relevant lenders mortgage insurance policy to the amount that would place QBE LMI in the position in which QBE LMI would have been if the misrepresentation had not been made; and/or cancel the relevant lenders mortgage insurance policy; and/or
- c) cancel the relevant lenders mortgage insurance policy.

## 14. LMI Premium Rates

To obtain information about premium rates for lenders' mortgage insurance please contact:

- Lenders should contact QBE LMI
- Mortgage managers and originators should contact your funder.

## 15. Additional loans - premium calculation

The premium calculation is as follows:

- The LVR is calculated on the new total exposure (determined by adding the additional loan amount to the outstanding loan balance or scheduled balance if the existing loan is a Line of Credit or has a redraw option) and the total security value.
- The premium rate applicable to the new LVR and new total exposure amount is then applied to the new total exposure amount.
- The premium payable will be the premium calculated as above, less the premium previously paid (excluding stamp duty).

#### Note:

- Minimum premium would apply.

## 16. Capitalisation of Premium

QBE LMI will allow lenders to add borrowers LMI cost to the amount borrowed and will include it in the insured loan amount without any additional to the premium. The maximum LVR by product is as follows:

- Full income documentation: 95% (excluding premium capitalisation), 100% (including premium capitalisation)
- Self certified: 80% (including premium capitalisation)

The maximum LVR available by product remains subject to conditions by:

- Location category
- Maximum insured loan amount
- Type of loan
- Loan purpose
- Acceptable security.

## 17. LMI Premium Refunds

Depending on arrangements between QBE LMI and lenders, a partial refund of the LMI premium may be payable where the mortgage over the insured loan is discharged less than, or equal to, 12 months after settlement of the insured loan AND:

- All loans secured by the insured mortgage are repaid in full; **and**
- QBE LMI is advised within 30 days of the discharge.

A refund will not be payable where:

- The insured loan (either an original or additional loan) has ever been in reportable arrears; **or**
- The mortgage over the insured loan is discharged more than 12 months after the settlement date of the initial loan advance; **or**
- The mortgage over the insured loan is discharged more than 12 months after the settlement date of the last insured additional advance; **or**
- The insured loan was covered under QBE LMI's bulk insurance process; **or**
- The amount of the refund is less than \$500.

It is the responsibility of the lender to advise QBE LMI of the discharge of an insured mortgage and initiate any request for a refund. QBE LMI will then confirm any refund payable.

Borrowers should be advised to direct any premium refund enquiries to their lender.

## 18. Terminated LMI Policies

It is the responsibility of the lender to advise QBE LMI of the repayment of any insured loan within 30 days of the loan being terminated / repaid.

## 19. Stamp Duty

Stamp duty is payable on LMI premiums and varies depending on the state or territory the security property is located in. Where the insured mortgage is to be secured over two or more properties in different jurisdictions, the stamp duty will be calculated on the premium apportioned to the relevant state proportionally as to the respective security values.

For more information please refer to [www.revenue.act.gov.au](http://www.revenue.act.gov.au) or [www.sro.tas.gov.au](http://www.sro.tas.gov.au)

## 20. Policy Variations

'Policy Variations' relate to variations to key attributes of the risks covered in a Lenders Mortgage Insurance policy, following the payment of the premium. Policy Variations can include:

- Changes to:
  - Borrower or Guarantor
  - Security property
  - Policy Term
  - Loan Type
- Consent to additional uninsured loans
- Reinstatement of policies terminated or cancelled in error
- Reactivation of expired commitments

This section does not cover:

- Approval of Additional Loans/Top-Ups
- Claims or Hardship.

### 20.1 Variations as described under the terms of QBE LMI's Master LMI Agreement ('LMIP')

(a) You may make variations to the Insured mortgage or Loan account or both only with QBE LMI's prior written consent. Some examples are:

- i. Capitalisation or deferment of a loan repayment.
- ii. Partial discharge, release, or substitution of security property.
- iii. Change of the Borrower or any Guarantor.

- iv. Conversion of principal and interest loans to or from interest only loans (see Note).
- v. Variation to the Expiry date of the Loan term.

**Note:**

- (a) (i) Requires a decision by the Borrower Assistance Team .
- (a) (iv) Prior consent from QBE LMI is not required when converting the Insured loan from:
  - A fixed interest rate to a variable interest rate (and vice versa), or
  - Principal & Interest ("P&I") to Interest Only for any period up to 10 years during the loan term.

## **20.2 Variations to Borrowers or Guarantors**

### **Amendment to Borrower/ Guarantor**

Where an amendment to the name of a Borrower or Guarantor is required, you are to provide a current Credit report in the new or correct name.

### **Addition or Removal of Borrower /Guarantor**

To add or remove a Borrower or Guarantor, you are to provide:

- Lender's application form which includes all Borrowers and Guarantors personal details, and
- Credit report for additional Borrowers or Guarantors, and
- Servicing worksheet confirming capacity to service, and
- The reason for the addition to, or removal from, the Insured Loan.

When adding or removing a Borrower or Guarantor, the remaining parties must be acceptable to QBE LMI.

Borrowers / Guarantors of convenience are defined as Borrowers or Guarantors that do not receive a tangible benefit from the loan transaction and are not considered acceptable.

It is not acceptable for a person to be party to a loan simply to provide income or security support for another party.

All Borrowers / Guarantors must have a beneficial interest in the loan transaction either by way of joint ownership of the security and/or dependence on the mortgagor, e.g. in a marital, de-facto or civil union relationship.

### **Death of Borrower or Guarantor**

You are required to notify QBE LMI of the death of a Borrower or a Guarantor.

QBE LMI will work closely with you to determine the most appropriate course of action, given the likelihood of complications and delays in the process.

Where possible, provide any information you may have e.g. the intention of the remaining joint tenant/s in relation to the security property, etc.

### **Consent to change of Ownership or Title**

Where a variation to the ownership structure or share percentages of the security property is required:

QBE LMI will consider the request for variation if:

- There is to be no increase in loan amount or LVR, and
- You confirm that the loan has been conducted satisfactorily, and
- All parties proposed to be on title are current parties to the Insured Loan, and
- For a property held as tenants in common, the proposed share/split structure demonstrates that all parties have an acceptable level of interest in the property.

## **20.3 Variations to Security**

### **Substitution or Partial Release of Security**

Loans that have been insured with multiple security properties can be considered for release of security when one or more of the properties is sold or no longer required as part of the loan.

Cash / Term deposits are acceptable as sole security for substitution for security variations only subject to the following:

- LVR, loan term and loan amount to remain 'as is', and
- Account to have been conducted in good order and to be in good standing at the time of the request, and
- Regular monthly payments to continue, and
- Substitution variation to be fully complete / settled within 6 months of original property discharge.

Note: Consent may not be forthcoming if the overall risk position has deteriorated from the original LMI approval.

The new or remaining security must comply with the LVR requirements for location and product.

You are to provide a current Valuation on the remaining or replacement security and confirm satisfactory repayment history.

Where an increase in loan balance is required in addition to the request to substitute security, this is deemed to be a new risk. A new LMI application should be submitted to QBE LMI Underwriting for assessment.

### **Current Arrears Evident**

In addition to the above, where there are arrears greater than 30 days, or hardship cases, the following applies:

- Full net proceeds of sale are to be applied in reduction of the outstanding Insured Loan balance, and
- The sale price is to be determined by an on market sale process through a licensed real estate agent.

You are to provide the following:

- Copy of settlement statement (to ensure allocation of full net proceeds to the loan account and that no additional costs or disbursements have been included), and
- Signed contract of sale.

### **LVRs above Product Limits - Arrears or Hardship Cases**

A partial release of security may result in an increased LVR, which is outside the normal underwriting policy, on the remaining security.

Full cover will continue when:

- A fair sale price has been achieved, evidenced by an updated valuation and a signed contract of sale, and
- You are receiving full proceeds and these are being applied to reduction of the Insured Loan amount, and
- A copy of the settlement statement evidences that full net proceeds are being applied to the Insured Loan account and that there are no additional costs or disbursements included.

### **Consent to other Security Variations**

Other variations to the insured security can include subdivision, realignment of boundaries, easements, carriageways, rights of way, leases or caveats.

If it is considered that there is a material change to the value of the Security Property then an updated valuation will be required with the Valuer specifically commenting on the factors that led to that change. Where applicable the Valuer is to confirm that he has sighted Council Approved plans.

If no new valuation is provided, consideration may be given to a security exception on the following basis:

- No increase to Loan Amount or LVR, and
- Good conduct of Insured Loan to be confirmed by Lender, and
- Minimal, or no material, adverse effect on the Security Property.

### **Consent to Second Mortgages**

When consent to register a second mortgage is required, you are to advise the name of the second mortgagee and the amount to be secured by the second mortgage.

QBE LMI will usually give consent provided the Lender is able to confirm that there is no increase to the Insured Loan amount or LVR and that good conduct has been evidenced.

## **20.4 Variations to Policy Terms**

Where a conversion to, or extension of an Interest Only period is requested, QBE LMI allows Lenders to approve an Interest Only period in accordance with the provisions of our LMIP, provided:

- Total Interest Only period does not exceed 10 years within the life of the Policy, and
- Satisfactory conduct of the Insured Loan is to be confirmed by the Insured Lender, and
- There is no increase in the Insured Loan Amount, LVR or Term.

### **Convert Loan / Income / Product Type**

Where a conversion of Income / Product type is required (e.g. Self Certified to Fully Documented) the following requirements must be satisfied:

- The request must fall within QBE LMI guidelines for product and LVR, and
- There must be no increase in the Insured Loan amount or LVR, and
- Satisfactory conduct of the Insured Loan is to be provided, and
- Where arrears history is evident, consent may be given if it is evident that the product conversion places QBE LMI in an improved risk position, and
- Capacity to service must be evident where loan term reduction is to be considered.

Where a request is for conversion from Self Certified to Full Documentation, the Insured Loan amount and/or LVR must not increase. The Insured Lender is to provide details of current servicing capacity that meets QBE LMI requirements.

Request to convert from Full Documentation to Self Certified is unacceptable. A new loan application is required in these instances and the application will be written as a new risk. The new application is to be submitted with appropriate documentation and referred to Underwriting for processing.

The same principles apply if the borrower wants to convert from the old product type of ImiSELF CERTIFIED to ImiHOME, ImiFIRST HOME or ImiINVEST. These will be allowed as long as the Insured Loan amount and/or LVR is not increased.

It is not acceptable to convert to any of the old product types.

### **Amendment to Policy Term**

Amendments to policy term apply only to QBE LMI policies. The maximum policy term is 30 years.

QBE LMI will consider an extension of term where the following criteria are satisfied:

- Policy term (from commencement of risk) does not exceed the maximum, and
- There is no increase to Insured Loan amount or LVR, and
- Lender confirms satisfactory conduct of the Insured Loan, and
- Amended policy term to comply with QBE LMI guidelines for loan product e.g. maximum term of a LOC is 25 years.

**Example 1:** Loan has an initial term of 25 years and Lender requests to extend the term. This is allowable to a maximum term of 30 years, that is, an increase of 5 years.

**Example 2:** Loan has an initial term of 25 years and has been in force for 10 years and the Lender requests to extend the term. This is allowable to a maximum of 30 years, this example, also, is an increase of 5 years.

Where Lender advises a permanent reduction to the term of the Insured Loan (e.g. from 30 years to 20 years) Lender must provide an updated servicing sheet to confirm affordability.

### **Expired Commitment (Approval)**

If you require an extension to the expiry date of a Commitment to Insure (LMIA) without providing the premium, the request should be forwarded to Underwriting.

If you are sending a premium for a commitment which has expired QBE LMI requires the following:

If late payment is due to:

- Delayed settlement - you are to advise settlement date and confirm that there have been no material changes to the insured risk, or
- If the loan has been settled but neglected to send the premium in error you must advise settlement date and confirm good repayment history.

If unacceptable, or if not yet settled, you will be advised that an application needs to be re-assessed with full documentation to be submitted to Underwriting. The premium will be returned.

### **Consent to uninsured increases**

Where a further advance is being made to the Borrower secured by the Insured Mortgage and LMI cover on the additional advance is not required, you are to confirm that total borrowings meet your servicing guidelines, and advise the new loan amount, LVR and confirm that there is no increase in the policy loan term. You will need to confirm that the additional loan is uninsured and the total loan is not to exceed 80% LVR.

### **20.5 Applying for a Policy Variation**

When submitting a request for a Policy Variation, you will need to submit the following:

- Policy Variations Request form, and
- Documentation relating to the specific request, and
- Income and Employment Verification documents (as outlined earlier in the ImiGUIDE).



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