



Credit Underwriting Procedure - Broker

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Banking with purpose.

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1. General

Purpose

This document is a guide for underwriting standards to assess lending applications. The Credit Underwriting Procedure (Broker) document relates to Home Loan products through for the Broker Channel.

The aim of this policy is to ensure that GMCU complies with various legislative, regulatory, and internal requirements when lending to a borrower. This procure defines GMCU's approach to lending in detail and defines the requirements for brokers which must follow when identifying and assessing the financial situation of a GMCU borrower.

The Product Information outlines the eligibility criteria, limits and conditions of each home loan product, and contains important product-specific information not outlined in this policy.

Availability

Credit Underwriting Procedure is available on the GMCU's broker site.

It is the user's responsibility to ensure they are accessing the most recent version.

2. Submitting an application

Each loan application submitted for assessment should be completed in full detailing the borrower's full financial position and be accompanied by the required supporting documentation as detailed in.

These documents include, but are not limited to:

- Income verification.
- Declared living expenses.
- Application form.
- E lodge Form
- Privacy Statement and Consent form.
- Verification of Identity
- Transactional account statements and loan statements.
- Contract of Sale.
- Evidence of funds to complete the purchase.
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3. Borrower eligibility criteria

Individual & Joint Borrowers

Applications will be considered where borrowers satisfy the requirements below:

- 18 years of age or older;
- A natural person; and

- An Australian citizen or Permanent Australian resident or holds a Visa – if a Visa holder’s income is relied upon to determine serviceability, the term of the Visa must exceed the term of the loan. Visa/Residency entitlements are to be verified, and a copy of the documentation held on file.

Permanent residents must either:

- show us their original Permanent Residency Visa and give us a copy, or
- give us a full copy of their Visa Entitlement Verification Online (VEVO) report ([Visa Entitlement Verification Online: Visa holder enquiry \(immi.gov.au\)](#)), or
- provide evidence they’re receiving an Australian Age Pension or Disability Support Pension.
- New Zealand residents can provide a current passport.

Acceptable joint application structures

Where there is joint borrowers or guarantors it is important to ensure that:

- No borrower or guarantor is acting under the duress of another
- All borrowers receive a benefit from the loan and not a “borrower of convenience”
- All borrowers and guarantors are fully informed about all aspects of the loan

A “borrower of convenience” is defined as a borrower that is added to the loan application to provide serviceability and/or security but does not receive a tangible benefit from the loan transaction.

Borrowers must have a beneficial interest in the loan transaction either by way of joint ownership of the security and/or dependence on the mortgagor in a marital / de facto relationship. It is not acceptable for a person to be joined in a loan simply to provide income support for servicing or added to provide security for another party to purchase a property.

Reasonable enquiries need to be completed so that a substantial benefit will flow to the Co-Borrower and financial abuse is not evident.

Will the individual receive a real and tangible benefit from the loan?

If the answer is yes; then the person is to be a Co-Borrower.

If the answer is no; then the person is to be a Guarantor.

Examples of joint loan structures:

Borrower	Mortgagor	Guarantor	Structure acceptable	Income
A & B	A & B	N/A	Yes	A & B
A & B	A	N/A	Only if A is in a spousal relationship with B	A & B
A	A & B	B	Only if A is in a spousal relationship with B. Independent legal Advice & Financial advice is required for B.	A & B
A	A & B	N/A	No (all mortgagors are to be party to the loan)	N/A
A	B	B	No	N/A
A	A	B	No	N/A
A	B	A	Refer Family Guarantee Loan	A & B servicing completed separately.

For co-borrowers in a non-spousal relationship the following additional requirements apply:

Minimum 20% ownership requirement for all borrowers on any security property in the loan application. Applies to both purchase and refinance applications. Also, applies to existing properties being used as collateral security to assist with a related purchase.

It is not acceptable for ownership in existing properties to be transferred as part of the loan application process to meet this minimum requirement i.e. it should be an established ownership structure that has been in place prior to the loan application or enquiry.

Unacceptable Borrowers

Applications will not be considered if any of the following criteria apply to either borrower:

- Borrowers of convenience - a borrower of convenience is a co-borrower not in a spousal relationship with the other borrower that is added to the loan application to provide serviceability and / or security but does not receive a benefit from the loan transaction.
- Undischarged bankrupt or in a Part IX debt agreement.
- Discharged from bankruptcy for less than 3 years.
- Has a poor credit history (i.e. unpaid default, judgements).
- Had a debt previously written off by GMCU.
- Has any loans 30 days or more in arrears without supporting commentary mitigating the conduct and improves borrowers (for example cases of marital disputes or other circumstances);
- Application is from a previously failed business or is for a loan to refinance loans held at other financial institutions that are in arrears or in default.
- Self-Managed Superannuation Fund.
- Owner builders (exception is for licensed builders with a proven history of residential house construction, where a fixed price contract, builder and warranty insurance are provided).
- Company directors purchasing property from their own developments for investment purposes (unless approved on an exception only basis).

Guarantors

A guarantor is someone who agrees to assume the obligations of the borrower(s) to repay a loan or limit if the borrower(s) defaults under the contract. It must be clearly established that the guarantor understands their obligations should the borrower fail to meet theirs and that their guarantee is freely given.

A guarantee may be required to support an application for credit. A guarantor(s) is not to be taken to facilitate the making of a loan which would otherwise be declined.

The guarantor is required to obtain Independent Legal Advice (ILA) before accepting the guarantee. Certificate of ILA and financial advice are obtained for the benefit of the GMCU. Example of when a guarantor rather than being a joint borrower:

Example	Ownership	Substantial Benefit	Borrowing structure
New Investment Property Purchase with Different Security – Only one on Title A couple buying a new investment property and wanting to utilise equity in their owner-occupied property (title could be in individual or joint names). The investment property title will be in the name of one party only	Borrowers to loan NOT the same as on title of property being purchased with loan proceeds.	Both borrowers DO NOT receive equal ownership of asset.	Guarantor
New Owner-Occupied Property Purchase with Different Security – Only one on Title Couple purchasing a new owner-occupied property where the title will be in one name only.	Borrowers to loan NOT the same as on title of property being purchased with loan proceeds.	Both borrowers DO NOT receive equal ownership of asset	Guarantor

Family Guarantee Loans

Family Guarantee Loans are available for borrowers purchasing their first property, where the property is for owner occupied purposes and their deposit is less than the amount required to avoid Lender's Mortgage Insurance (LMI), and an immediate family member agrees to provide additional security so the borrower may avoid paying LMI.

Immediate family members are limited to parent, grandparent, stepparent/grandparent of at least one of the borrowers.

This situation typically involves young borrowers with a guarantee from their parents.

Loan structure:

- Two separate loans with the same borrower on both loans.
- The maximum combined loan amount is 100% of the purchase price. It excludes funding of government fees or charges and legal/conveyancing fees.
- Primary loans can be interest only for construction period, otherwise principal and interest repayments.
- The guarantor loans must be on principal and interest repayments.
- In all cases the maximum guarantor loan is capped at 30% of the overall Home Loan values.
- The immediate family member will guarantee the second loan which will be secured against an acceptable security type in the family member's name.

A guarantor will not be accepted if the guarantor is in receipt of pension or superannuation benefits unless the mortgaged asset is supplementary to the family home (e.g. an investment property) or the guarantor holds significant other investments that could be converted into cash to extinguish the guarantee without risking the family home. The guarantor will still need to be able to meet repayments of the guarantor loan.

Other types of Guarantors.

Guarantor	Explanation
Security	• Where a guarantor uses property, they own jointly or in their own name in support of a loan, usually for a partner or for their business. • The guarantee will limit the guarantee to the loan amount

4. Lending - Home loan

Requirements under the NCCP require that the purpose of a consumer loan is clearly identified and recorded in the application. Consumer loans must have a loan purpose that:

- The debtor is a natural person
- is wholly or predominantly non-business related (greater than 50%) which includes:
 - for personal, domestic or household purposes, or to purchase, renovate or improve residential property for investment purposes, or
 - to refinance credit previously provided for this purpose.
- provides a financial or other meaningful benefit to the borrower.
- Funds are to be used for a specific reason.

Consumer loan products are not offered to:

- Incorporated bodies (Companies)
- Sole business proprietors
- Trusts
- Partnerships
- Unincorporated businesses

Acceptable loan purpose for home loans

- Purchase owner occupier or investment residential property
- Home renovations or improvement
-
- Refinancing existing owner occupier or investment residential property
- Bridging loans
- Cash out for personal, vehicles, domestic or household purposes

Unacceptable Purposes

- Does not meet clients' needs and objectives.
- By approving the loan, GMCU would be in breach of National Consumer Credit Protection Act obligations.
- Residential construction loans
- Home loans for development finance (construction of greater than 2 dwellings), purchase of multiple adjoining properties or any refinance associated with a borrower's development project.
- Loans for payment of taxation liabilities or to fund working capital.
- Fund recurring expenses (for example school fees, legal bills, utility bills)
- Home loans for the construction as an Owner Builder (exception is for licensed builders with a proven history of residential house construction, where a fixed price contract, builder and warranty insurance are provided);
- Reverse Mortgages.
- Land purchases for future development without ability to demonstrate capacity to service construction loan.
- Financing illegal activities; and
- Speculative or high-risk ventures, for example land purchases for speculation.

5. Assessing suitability of a Loan/Product

In accordance with the National Credit Act and our Responsible Lending Requirements, the following inquiries must be completed to assess whether a loan is not unsuitable for a potential Borrower.

Reasonable steps are to be taken to verify a potential Borrower's financial situation, including the following:

- Current gross and net income – amount and source.
- Current employment – type, length, and nature (full-time, part-time, casual, self-employed or contract).
- Declared fixed and discretionary expenses.
- Extent of any existing debts to be repaid from the new credit advance.
- Credit history, including number of recent credit applications and default history.
- Personal circumstances, including their age to assess future earning capacity and number of dependents to assess fixed expenses.
- Current value of assets and liabilities showing positive equity position.
- Serviceability assessment of affordability should not solely rely on historical information as the customers may have changed, or they may be aware of future changes in circumstances. Significant changes to the potential Borrower's financial circumstances, that are reasonably foreseeable (e.g. retirement, reduction in overtime etc); and
- Any geographical factors, such as remoteness, which may require consideration of specific issues.

The results of these enquiries must be provided in the loan submission notes for each loan application.

Requirements and Objectives

The following inquiries must be made about the potential Borrower's requirements and objectives for the credit:

- Amount of credit or maximum credit limit.
- Timeframe for which the credit is required (i.e. loan term).
- Purpose for which the credit is sought and the subsequent benefit to the potential Borrower; and
- Any product features or flexibility (e.g. interest type, redraw) and whether potential borrower understands the costs of these features and any additional risks.

The results of these inquiries must be recorded to assess whether a Credit Application is "Not Unsuitable".

A credit application must not be approved if either of the following conditions are met:

- The potential borrower will be unable to comply with their financial obligations under the contract, or could only comply with substantial hardship; or
- The credit (amount, facility structure, cost) will not meet the potential Borrower's requirements or objectives.

Significant Future Changes

Application to document a discussion with the borrower/s if they are currently aware of any significant future changes which may or will impact their capacity to repay their loan in the future.

Some examples of significant future changes include:

- Parental leave
- Changes in working hours, position, employer, occupation, industry, income (e.g. overtime, allowances, bonuses).
- Career change.
- Disposal of assets
- Acquisition of assets (and possibly associated debts)

Borrowers Approaching Retirement Borrowers and Guarantors (45+ Years)

The ability of a borrower to repay a debt is dependent on many variables, most importantly is the continuation of their income through the term of the loan. Where a borrower is approaching retirement age care must be taken in assessing their capacity to meet existing and proposed commitments from post-retirement income or borrowers intended clearance of residual debt from post-retirement assets.

A reasonable exit strategy at retirement needs to document how borrower will continue to meet their loan obligations beyond retirement without hardship.

Discussion of the exit strategy needs to be documented. It is to cover what the borrower intends to do. This is to be documented for all loans which go past a borrowers' intended retirement age (maximum 70 years) or eligible pension age (67 years).

The exit strategy must be 'Owned' by the borrower and not provided based on third party assumption of what the borrower could do. This is to ensure that the borrowers understand their responsibilities and acceptance of the strategy and that it suits their future objectives.

For investment property loans, a satisfactory strategy could include if borrowers confirmed that their intention would be to sell the investment property if required so they do not incur financial hardship.

The exit strategy proposed would not be expected to place the borrower or guarantor in a vulnerable financial position.

Examples of what exit strategies may be considered could include:

- Using a portion of superannuation and or investment confirmation showing the current balance and/or contributions made. No assumptions future values are to be made on balances. An exit strategy that involves utilising all, or a large portion of the borrower's superannuation is not considered an acceptable exit strategy.
- Borrower's estimation of age pension or other ongoing income which show capacity to meet repayments without hardship; and
- Investment properties or non-real estate assets that could be liquidated to repay debts.

The forecast scheduled balance on the loan will assist in this discussion for reasonableness of strategy.

The following principles are used when assessing downsizing exit strategy and to be documents in the application:

- the type of property intended to be purchased is assessed at current market value, detail of preferred suburb or neighbourhood, size or type of property and price range.
- the borrower needs to be able to purchase the new property and extinguish all debt on the existing property
- the loan size can be assessed at the amortised value at the point in time they intend to downsize, based on minimum contractual repayments
- no capital growth should be assumed in the property they are selling
- care is required where the loan is secured by an owner-occupied property which is the borrower's main asset
- exit strategy plan, is detailed including the above and showing timeframe, purchase price and location, and aligns with borrower's requirements and objectives

The following are usually not acceptable as an exit strategy for mature borrowers:

- Inheritance.
- Making additional repayments
- Reduction of living costs and expenses.
- Projected income or projected superannuation balances.
- An anticipated employer's bonus payment or wage increases.
- A sale of a business or payout from a dissolved business partnership

Where a satisfactory exit strategy cannot be provided the loan term must not exceed the expected retirement age and will be serviced accordingly.

6. Acceptable Home Loan Purpose

- Purchase owner occupier or investment residential property
- Home renovations or improvement
- Refinancing existing owner occupier or investment residential property
- Bridging loans
- Cash out for personal, vehicles, domestic or household purposes

Purchase owner occupied or investment residential property

Purchase of new (fully completed prior to settlement) or existing dwellings to be used for owner occupied or investment purposes.

Loans for the purchase of vacant land will only be considered if the loan is expected to proceed with a construction loan application within 24 months. Consideration of the affordability and LVR for the eventual construction phase is to be given. If the ability to meet the intended construction costs and equity contribution cannot be established, then the loan should not proceed with the land purchase.

If the borrower is investing outside of their own region, then a comment on the connectiveness of the investor to the market and understanding should be documented. A valuation may be required to protect the borrower's interests.

Home renovations / improvements

Where the loan purpose includes an amount for non-structural home renovations or improvements, provided the current 'as-is' valuation of the security property can support the proposed amount within current LVR policy, loan draw-downs for these renovations or improvements may not need to be controlled by GMCU.

However, it would be considered a construction loan (and not available) where:

- The security property needs to be valued on an 'as if complete' basis to support the proposed amount within current LVR policy; or
- The security property 'as is' value is sufficient to support the proposed amount within current LVR policy and the value of work to be completed is > \$100,000.

Refinance existing owner occupied or investment residential property loans

Loans to refinance existing loans from other lenders are acceptable. However, good conduct of the loan being refinanced is expected to be shown through statements for 6 months for loans and 3 months for credit cards, as well as the borrower's credit report showing either no defaults, or non-financial defaults.

Under responsible lending a refinance should support an improved financial position and to support this a comment on this discussion with the customer is to be provided.

Relationship breakdowns and separations

Where there is a loan to refinance debts due to a relationship breakdown or divorce, the following is to be received:

- a draft copy of the Minutes of Order from the Federal Circuit Court of Australia or the Family Court of Australia, or
- a copy of a Binding Financial Agreement/Consent Order, or a Statutory Declaration from the non-purchasing party, stating how much they will accept and acknowledging that they are entirely relinquishing their interest in the property.

Bridging loans

A bridging loan is a short-term loan (up to 12 months) used to cover the financial gap between buying or building an owner-occupied house and selling an existing owner-occupied property. A mortgage is taken over the new property being purchased, and the existing property that is to be sold.

Once the existing property is sold, total debt may be repaid in full (e.g. downsizing) or reduced with sale proceeds leaving an 'end debt' that is repaid over the remaining term of the loan.

Serviceability for the bridge period is assessed on the peak debt and on the end debt.

Loans will require a serviceability assessment to ensure sufficient net disposable income to cover the interest only repayments on the peak debt. Due to the nature of bridging loans, the interest only repayments for this serviceability assessment are calculated using the peak debt amount at the bridging loan interest rate (fixed for bridge period); the residual principal and interest loan term is not used for the calculation of the bridging loan repayment.

Servicing on the “end debt” is to be calculated on the principal and interest repayment on the compressed term (i.e. term of loan less interest only period, say a 30-year loan less interest only period of 12 months would have an assessment term of 29 years).

Bridging loan requirements for property being sold:

- Property sold - A copy of the front page of an exchanged contract for sale or a completed property purchase certification from the borrower's solicitor/licensed conveyancer, confirming the sale price.
- Property not sold - Existing property must be listed for sale prior to settlement of the new purchase. A copy of the front page of the contract for sale and a current Sales Agency Agreement. In this case a valuation from a valuer will be required.

LMI is not available for any application involving a bridging loan transaction and the maximum LVR is 75%.

A valuation is to be held on both properties taken as security at the time of origination, at which time the LVR is assessed for both the peak debt, and the end debt (using the security to be retained only). Refer Valuation on Real Estate Property for acceptable valuation methods.

No further valuation of the property being retained as security for the end debt is required at the end of the bridge period to facilitate the discharge of the property that has been sold.

Cash Out

Cash out refers to when loan proceeds (either fully or partially) are released to the borrowers without any control over the disbursement of these funds. The borrower's intended use of the funds must always be detailed in the Suitability Assessment notes to meet responsible lending requirements.

Amount	Enquiry
Up to \$100,000	The purpose of the loan needs to be documented e.g., purchase of a new car or investing in shares. In the case of 'future investment', the nature of the asset class being invested in. For building works or purchases over \$50,000 evidence of budget/quotes are to be provided for major items in line with cash out requirements. As part of responsible lending, it is important to document discussion with the customer whether the term of the loan relative to the likely useful life of the asset is appropriate and if meets the customer's requirements and objectives.
\$100,000 plus	The borrowers are required to provide specific details as to the purpose or use of the funds. This should identify the specific purpose, including in the case of 'future investment' and the nature of the asset class being invested in. Acceptable supporting documents include: • Invoices or receipts for amounts already paid. • Purchase Contract (e.g. Property, Car, etc) • Confirmation from financial planner or accountant as to intent of funds • Builder quotes for work to be completed but does not require structure building changes or DA approval.

If the cash-out is for deposit on property or other contractual arrangement, then GMCU must be satisfied so the borrower can complete the purchase.

Under responsible lending a debt consolidation/refinance should support an improved financial position. The reason for how this debt was accumulated should be discussed. Increasing unsecured debt may indicate the borrower is living beyond their means.

Cash out of funds is not permitted in the following circumstances:

- For building renovations reliant upon "on completion" valuations.
- Where there is evidence of activity indicative of problem gambling impacting account conduct.

7. Loan Terms

These are the maximum. terms only and subject to normal credit assessment and shorter terms may be approved:

Loan Type	Max. term
Home loan – Owner occupier	30 years
Home loan - Investment residential loan	30 years

Interest only periods for owner-occupier home loans only includes bridging or hardship.

8. Verifying credit history and financial commitments

Account Statement Requirements

Responsible lending guidelines require GMCU to carry out reasonable enquiries regarding the applicant's ability to service their overall commitments and ability to meet repayments.

Transactional account review:

- 3 months of transactional statements for borrowers and guarantors - these are to show history of the customer's regular income that they will use to service the loan, evidence of living expenses and ability to meet financial commitments. If a credit card facility is used as the main transaction account, then 3 months of statements will be required.
- 3 months of trading account statement for business account holders which they are beneficial owner.

Credit/loan commitments will be reviewed to establish if an applicant's existing credit facilities have been conducted in a satisfactory manner and in terms of arrangements. Account conduct will be assessed by reviewing all available information sources such as GMCU's loan accounts and other loans through bank statements and/or credit bureau reports to check payment of commitments and any evidence of late payments (e.g. dishonoured transactions, late fees etc).

Where there is debt with another financial institute a review of the past six consecutive months' loan conduct is required. A consistent repayment history needs to be evident with no arrears, default fees or over-limit balances. The conduct on existing debt can be verified via:

- the bank statements, or
- loan statements, or
- through the credit bureau reports (Comprehensive Credit Reports – CCR can be used where available).

Any arrears on existing debts must be investigated and an acceptable explanation supplied by the applicant.

Loan or credit card account review:

- 6 months' loan history for consumer loans (e.g. personal loans and home loans) and business loans;
- 3 months' account statements for credit card/store account debts being refinanced or maintain;

Where a loan cannot be reviewed for 6 months through CCR then statement is to be received. This includes when a loan is have been opened less than 6 months.

Where an open debt is listed is recorded as being repaid to assist the servicing position, either an official closure letter is required, or if unavailable, a statement showing zero balance and an email from the lender confirming the account is closed is required.

Credit Report

A credit bureau report is to be obtained and reviewed for each borrower or guarantor for all new and increased loan applications and those variation applications that increase the credit risk of the facility [e.g. substitution or partial release of security, extension of loan term, change in repayment type (e.g. principal and interest to interest only), and release of a guarantor.

Credit reports are to be reviewed to determine the age of the credit file, the Equifax score, and identify any possible match files, directorships / business names, or adverse listings.

Where there are directorships credit reports are to be completed on the companies.

The credit report activity will be reviewed over the prior two years with comment regarding result of each enquiry required. Additional explanations may also be required where necessary i.e. where a considerable number of enquiries have taken place over a short period of time outside of the two years.

All financial details in the credit report must be reviewed and compared to the borrower's stated liabilities. Any discrepancies relating to account limits and any undisclosed accounts will need to be included in the servicing calculation. Also, these discrepancies are to be noted in the comments section in the application.

Indication of higher credit risk which is to be commented on the application:

- Multiple credit enquiries for the loans made which did not proceed.

- Non-disclosure of liabilities such as personal loans, home loans, line of credit and business lending relationships.

All borrowers should have a clear credit history. Adverse credit history includes:

- Personal Equifax credit score of less than 460 are to be escalated through to Credit Team.
- delinquent behaviour
- pending court proceedings
- outstanding defaults.

Paid defaults

GMCU will consider lending to borrowers who have a combined total of paid defaults equal to or less than \$1,000. If the borrower has paid defaults of more than \$1,000, a statement from the customer explaining the circumstances of the defaults is to be attached.

Bankruptcy and Part IX Debt Agreements

If a borrower has previously been bankrupt, they must have been discharged from bankruptcy for at least three years to be eligible for a loan.

Bankrupts discharged for 3 to 5 years

Bankrupts who have been discharged for three-to-five years must provide evidence of:

- satisfactory conduct of any payment arrangements and all debts commits to have been made after discharge from bankruptcy, noted on the Credit Report.

Part IX Debt Agreements

Borrowers who have finished their Part IX Debt Agreement within the last five years must:

- pay an additional 10% deposit, and
- have evidence of the finished Part IX Debt Agreement on their Credit Report.

9. Serviceability Assessment

Servicing Requirements

A serviceability assessment is to be completed on all borrowers involved in all applications for:

- new and increased loan facilities; and
- variations that materially impact serviceability such as extension of loan term; extension of interest only term; and conversion from principal and interest to interest only facilities.

Borrowers must be able to demonstrate sufficient income to pay their financial obligations and living expenses without hardship. It is not in the best interests of the borrower, or GMCU, to take on more debt than they can manage.

Net Surplus Income (NSI)

Definition:	NSI is the amount of income surplus after paying fixed and living expenses monthly.
Consideration:	Borrowers must be able to demonstrate sufficient income to service any new application for credit, all existing debt obligations, any ongoing expenses plus living expenses without hardship
Minimum:	\$1 per month

Debt to Income Ratio (DTI)

Calculation:	DTI is defined as the ratio of the total credit limit of all debts held by the borrower, to the borrower's gross income. Borrower's gross income: Borrower's annual before tax income verified by an ADI, excluding any compulsory superannuation contributions and before any discounts or haircuts under the ADI's serviceability assessment policy. Include the credit limit of any debts, such as other mortgage lending, personal loans, credit-cards, consumer finance, margin lending, buy now pay later (BNPL) debt , and any other debts held by the borrower, to any party.
Consideration:	Preferred DTI ratio is below 4. However, it is expected that a higher NSI (providing a net servicing buffer) would be available to support loans with a high DTI ratio. Short-term arrangements, such as bridging loans loan nearing expiry, are also considered.
Maximum:	DTI 8 times

Calculating Net Surplus Income for PAYG income borrowers

To confirm the sustainability of a borrower's historical income levels and their ability to meet the proposed level of loan repayments and commitments on an ongoing basis, a serviceability assessment is to be completed.

Formula:	
Add:	Allowable Net Income after weighting
Less:	Living Expenses General living expenses Other living expenses Property expenses (non-primary residence)
Total:	Adjusted Net Income
Commitments	
Less:	Existing and on-going loan commitment at sensitised rates
Less:	New Commitments at sensitised rates
Equals	Net Surplus Income

Regardless of whether a capacity to service calculation is positive, ability to repay must be demonstrated through their account conduct.

Simplified Calculating Net Surplus income for Business owners for Home Loans/Personal Loans.

For self-employed director and shareholder/beneficiary applying for home loans or personal loans a simplified assessment can be adopted when using their PAYG from the business, when there is no reliance on business

income and confirmation held that the business is operating profitably. Criteria is set out in Assessing Self-Employed and Business Borrowers

Formula:

Income:	Verified income over last six months.
	Other personal income
Less:	Weighting of income
Less:	Living Expenses
	General living expenses
	Other living expenses
	Property expenses (non-primary residence)
Total:	Adjusted Net Income

Commitments

Less:	Existing and on-going loan commitment at sensitised rates
Less:	New Commitments at sensitised rates
Equals	Net Surplus Income

If the customer requires additional income from the business to support servicing, then a Full Verification method is to apply.

Calculating Net Surplus Income for Self-employed/Business

To confirm the sustainability of a borrower's historical income levels and their ability to meet the proposed level of loan repayments and commitments on an ongoing basis, a serviceability assessment is to be completed.

Business liabilities are to be included in the capacity to service (with loan repayment sensitised), and all relevant add backs included.

For loans to individuals, the assessment of the company / business income is to ensure the company is trading profitably and can continue to meet ongoing commitments, including the income paid to the individual borrower that is relied on for serviceability e.g. dividends; directors fee; etc. Company Net profit before tax is not relied on for serviceability of a loan in the individual's names

Formula:

Add	Net Profit After Tax (NPAT)
Add	Income adjustments
Add back	Interest expense
Add back	Depreciation
Addback	Extraordinary expenses
Addback	Additional superannuation
Deduction	Extraordinary income
Deduction	Business Tax
Total	Adjusted NPAT
Commitments	
Less:	Existing and on-going loan commitment at sensitised rates
Less:	New Commitments at sensitised rates
Equals	Net Surplus Business Income

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

- Where company profit is used for servicing, borrower must hold minimum 50% shareholding in the company.
- The percentage of income used should align with the shareholding.
- Should a loss be recorded in company/trust financials, this is to be recorded as a financial expense in addition to all financial liabilities

Regardless of whether a capacity to service calculation is positive, ability to repay must be demonstrated through their account conduct.

Applications involving multiple couples/families

Where there is more than one family unit as borrowers or guarantors, a separate serviceability assessment is to be completed for each. The share of income and expenses from any joint investments or commitments between multiple couples is to be included in the serviceability assessment for each family unit.

Applications involving borrowers & guarantors residing in the same family unit

Where the borrower and the guarantor share joint income and/or commitments, only the borrower's and guarantor's share of income/commitment may be included in their respective servicing assessment.

Where the borrower and guarantor are spouse/de facto partners, the living expenses applicable to the entire family unit may be included in the borrower's serviceability assessment or the guarantor's serviceability assessment, or split between the two, provided the full amount is included between the two parties (i.e. borrower and guarantor).

10. Assessing Wage Earners Income

Minimum employment periods

Employment history will be assessed by reviewing the length of the employment period with the current and previous employers, generally up to four years prior, and the employment type (full time, part time, contract, self-employed, casual etc).

For inclusion of income for servicing the following minimum employment period apply:

Type of Employment	Minimum Term in Current Employment	Minimum Term in Previous Employment	Other Conditions
Full-time and permanent part time	6 months	If less than 6 months in current position, then minimum 2 years employment in same industry	Where the probationary period is not yet completed and/or the minimum tenure requirement for permanent positions is not met, borrowers with over 12 months continuous employment in the industry or recent completion of a related university degree are acceptable
Temporary/Casual	6 months	If less than 6 months in current position, then minimum 2 years employment in same industry	Not on probation

Type of Employment	Minimum Term in Current Employment	Minimum Term in Previous Employment	Other Conditions
Contract	24 months	If less than 24 months in current position, then minimum 2 years employment in same industry	Not on probation. The existing contract must be for 12 months unless renewal is confirmed by the employer.
Self-employed	24 months	N/A	

Types of Allowable Income

All Income, for all borrowers, noted on an application must be supported by evidence.

Income Types	Verification	Weighting %
Employment Income - Base Wage and Salary for permanent employment (i.e., Full-time/Part-time employment)	Require at least 1 pay slip no older than 30 days showing year to date income, and Base wage credits to be confirmed through transactional account of income for the last 3 months. If a borrower has more than one job, all their jobs must meet the relevant eligibility criteria, (three months continuous service for permanent, six months for casual). Only consider income earned from working up to 50 hours per week. For income earned from working 38-50 hours per week discuss with borrower the consistency and intent to continue employment and record the borrower's response on the loan application.	100% of base wage
Employed by family or family owned/controlled business.	Require at least 1 pay slip no older than 30 days showing year to date income. Base wage to be confirmed through transactional account of income for the last 6 months.	100% of base wage
Bonus payments - 2 years of regularly awarded bonuses.	Bonus payments used for credit assessment purposes are to be verified using one or any combination of the below for the two most recent financial years: -a letter from the employer on letterhead. -a payslip confirming the payment(s) made. -the most recent financial year's ATO income statement/payment summary or tax return (a notice of assessment is only required where payment summary/tax return is handwritten). Bonuses income must be from current employer.	80% of the minimum received over the most recent in 2-year period.

Income Types	Verification	Weighting %
Commission payments – 2 years minimum employment in role.	The customer can alternatively provide one of the following: - Employment contract or employer's letter or pay slip showing base wage plus 12 months of consistent salary credits to an account. - 1 recent payslip detailing base salary plus either a PAYG Payment Summary, or a "Tax ready" ATO income statement, or a Tax Return to identify commission.	80%
Allowances/Overtime: Non-Essential services - minimum employment period of 12 months in role. Essential services - minimum employment period of 6 months for essential services. Types of allowances may be included in PAYG income can include: • Shift • Uniform • Laundry • Meal • Site	The customer can alternatively provide one of the following: 1 recent payslip with minimum of 3 months YTD detailing base income and shift allowances. 1 recent payslip with 3 months' salary credit to an account. Essential services include: • Paramedics • Emergency Fire • Disability services • Police Services • Medical / Nursing Services • Defence Forces.	Non-Essential services -80% Essential services - 100%
Salary Sacrifice for PAYG employees, e.g. non-compulsory superannuation payments, loan repayments, expense repayments	The customer provides one of the following: Most recent payslip that details the salary sacrifice and/or salary packaging arrangements as pre-tax deduction items; plus a PAYG Payment Summary evidencing a reportable Fringe Benefit Tax amount in line with the applicable grossed-up benefit. The gross income is required to calculate the net income after add-backs so the pre-tax salary sacrificed contributions can be identified. The net income is calculated by applying the relevant tax rate to the gross income including the relevant add-backs. Note: any loan commitments where salary sacrifice is used must be included as an existing commitment to calculate servicing.	100%
Salary sacrifice 'tax free' arrangements	Must be employed in public health, social work or charity work. Confirmation from the borrower that the amount is convertible to gross taxable income and is provided on a regular basis and evidenced by: Payslips confirming details of the salary packaging arrangement and clearly displays these pre-tax deduction items; and A letter from the employer detailing the salary sacrifice amount/arrangement or copies of bank statements	100%

Income Types	Verification	Weighting %
	showing 3 months' worth of credits into the borrower's bank account. Note: any loan commitments where salary sacrifice is used must be included as an existing commitment to calculate servicing.	
Casual employment/temporary income.	The customer provides one of the following: Require 2 recent payslips (no older than 30 days) with a minimum of 3 months YTD; or Consistent salary credits to an account for the last 6 months.	100% Note: With all casual/temporary income, annual income is based on 48 weeks, which allows for 4 weeks leave per annum.
Investment property income:	Residential rental income is to be verified by way of: • Rent statements for previous 3 months, or • Rent appraisal/valuation from a bank or real estate agent, or. • Previous year's tax return. For non-residential properties (including commercial, retail, industrial, agricultural) the following is required: • Current lease agreement (and not expired), and • Rent statements for the previous 3 months, and • Previous year's tax return For properties being purchased the following is to be received to support net income: a rental appraisal/valuation, confirmation of strata costs, council fees/rates and expected other costs. Care should be taken for rental guarantees, as they are typically reflected in the price, for a limited period and higher than market rent.	90% of gross income for standard residential properties with residential leases. 65% of verified annual income for short stay/AirBnB. For serviced apartments it is based on net income received from management company. 65% of verified income for non-residential properties. Monthly Residential Rental income is capped at a 6% gross yield for residential rentals. Investment property expenses must be included for each property. Comments are to include discussion with the customer regarding property expenses. For example, rates, water, landlord insurance, strata fees, utilities, etc. and renting (real estate management fees).
Contract employment income	To be provided: A copy of the employment contract, or employer's letter, or employer's email advice, to confirm employment conditions, including covering tax payments, holiday allowances, superannuation payments, and The customer provides one of the following: • 1 recent payslip with minimum of 3 months YTD, or • 3 months' salary credits to an account.	100%

Income Types	Verification	Weighting %
Investment income including dividend income from shares or similar	The lower of the last two years is to be used for the income calculation. The following must be provided: Last two consecutive Tax Return with NOA showing dividends declared and/or interest earned. Confirmation of the borrower's intention to use investments as ongoing income.	80% (include franked, franking credit and unfranked income).
Government benefits	All Government Benefits (except for Newstart & Jobseeker Allowance) that are expected to be ongoing are acceptable. The customer provides one of the following: Letter from Centrelink or relevant Government Letter that confirm the payment amount; or 3 months' salary credits to an account. The inclusion of Family Tax Benefit A & B and Parenting Payment is made on the expectation that it will be permanent for the next 5 years. If the benefit is compensation for an expense, like Child Care Benefit, the expense is to be included.	100%
Child Support payments.	The customer is to provides both of the following: - Letter from Child Support Agency, or a solicitor letter, or a Family Law Court Order, that confirm the payment amount, and 3 months' salary credits to an account. The benefits must be permanent for the next 5 years (to age 18).	100%
Paid parental leave held role for a minimum of 12 months period to leave.	If a permanent full-time or part-time applicant is on or planning to go on parental leave, their full income can be considered prior to their leave, provided they are returning to the same role and have sufficient evidence to cover any serviceability shortfall during the leave period. Verification is completed via: - Employer's letter confirming the leave period, and pay rate and amount, and recent bank statements to show there are savings to cover any shortfall in pay. - Living expenses and commitments can be serviced based on the higher income HEM or declared living expenses until return to work. - Last 2 consecutive payslips, with most recent no older than 30 days, which are computer-generated and contain current gross/net income, YTD income and employer's ABN. - Require written statement of the customer's intention to return to work within the next 6 months.	100% The customer must: - Advise their intended return to work employment details after parental leave period expires including - employment status and hours; and - Advise how they will meet the servicing shortfall over the period of parental leave.

Income Types	Verification	Weighting %
Company Vehicle - Fully Maintained	The employer owns and provides a vehicle for use at no cost to the employee and eligibility for the vehicle is expected to be ongoing. Employer's letter from their HR department or employer's email advice detailing the car for personal use without restrictions.	\$5,000 per annum can be added as a non-taxable income figure for servicing assessment (as a vehicle expense is included in HEM).
Trust Distribution: Minimum of 2 years	The customer provide late two years Tax Return with NOA or Australian Tax Return lodgement extract from MyGov	The lower of 100% of from current Tax Return year or 120% of previous financial year
Superannuation Allocated (Account Based) / Private Pensions	Customer is to provide either: - Copy of letter from Superannuation Fund (or accountant for self-funded retirees) no more than 3 months old at application submission date, stating the regular payment amount; or - Tax Return and Assessment Notice or PAYG Summary for previous year and evidence of current regular payments received. Allocated pensions: Confirmation required that payment drawn will not erode investment capital before expiry of loan term.	80%
Overseas Pensions	Tax Return and Assessment Notice for previous year; and Account statements showing source and regular and consistent receipt of income	70%
Workers Compensation & Other Insurances (e.g. work cover)	Letter from the compensation/insurance payer no more than 3 months old at application submission date, confirming the payment amount, that the payment is unconditional, and that the duration of payment exceeds the loan term expiry date. Payment to be confirmed through account statements for a minimum of 3 months.	70%
Unacceptable Income type	The following income or similar sources are not acceptable for serviceability: • Government benefits or similar, not considered ongoing for 5 years • Government unemployment benefits; youth or student allowances etc • Income from boarders • Undeclared or cash income that could not be evidenced in tax return • Income Tax refunds • Capital gains • Temporary or non-recurring income; and • Income from illegal activities	

Verification of Payslip:

Payslips requirements:

- Computer generated payslips
- Contain both employee and employer name
- Have an ABN evident
- Have a year to date (YTD) breakdown of income

Wage Credit definition:

- Minimum 3 months of credits into transaction account
- Name of employer must be clear from the transaction record
- If the payments are inconsistent (e.g. due to fluctuating overtime), further payslips may be required.

11. Assessing Self-Employed and Business Borrowers

Self-employed and business borrowers can be defined into several broad categories. They are: Sole owner, Partnership, Company and Trust.

Simplified Assessment - Self-employed business owners for Home Loans/Personal Loans.

For self-employed director and shareholder/beneficiary applying for home loans or personal loans as simplified assessment can be adopted when using their PAYG from the business, there is no reliance on business income and confirmation held that the business is operating profitably.

The business section of the servicing calculator is not required to be completed, including liabilities.

Criteria to be met:

- Provide the 2 most recent personal tax returns showing income from business.
- Payslip dated within the last 30 days. If the payslip shows less than 6 months year to date salary, then the previous year's ATO income statement is also to be provided.
- Evidence of paid regular wage/salary from the business for 6 months evidenced through account.
- Be self-employed for more than two years with ABN/ACN registered for at least this period.
- For home loans a minimum of 20% of the property's value is saved as a deposit in the borrower's name.
- Evidence that the business is operating at a net profit after tax (no addbacks) by using one of the following:
 - Most recent year's business tax return; or
 - Most recent year's accountant prepared business profit and loss statement; or
 - An accountant prepared letter stating that the company or trust has sufficient profits to meet the business commitments, is not reliant on borrowers' income to meet business commitments and can continue to pay the salary to the borrower as declared.
- Evidence that the business tax portal confirms no tax debts.

If there is a variance between the most recent tax return to the wages earned from the business of greater than +/- 20% and the amount exceeds \$10,000 then supporting commentary for income variance will be required.

Non PAYG income, such as investment income or government benefits etc, can be included and are to be verified as per underwriting procedure.

Noting that business bank account statements are not required.

If the customer requires additional income from the business to support the loan, then a Verification Assessment of the business is to apply.

Minority Ownership

Where there is less than 20% ownership stake, a statutory declaration from the borrower is required confirming that they are not liable under any company director's guarantees and there is no reliance on borrower's personal income to support the company. Equifax report should also be reviewed to identify any enquiries and ownership. Where the borrower is liable, the company debt and repayments are to be included in liabilities.

Whilst financial statements on the company will not be requested in this circumstance the following are to be received:

- Two years of personal tax return will be required to establish consistent incomes; and
- An accountant prepared letter stating that the company or trust has sufficient profits to meet the business commitments, is not reliant on borrowers' income to meet business commitments and can continue to pay the salary to the borrower as declared.

Business Verification Assessment

If the application does not fit within the above the following assessment is to be undertaken.

Allowable income

Income Self-employed - Sole owner, Partnership, Company and Trust	Verification	Weighted
Trading for more than 2 years.	- Last 2 consecutive years' personal ATO Notices of Assessment (NOA) with the latest being no older than 18 months. - Last 2 consecutive years' personal Taxation Returns with the latest being no older than 18 months. - In addition, if a Partnership/Company/Trust/Trustee, last 2 consecutive years' Business ATO Notice of Assessments (NOA) with the latest being no older than 18 months. - Last 2 consecutive years' business Taxation Returns with the latest being no older than 18 months. - Last 2 consecutive years of accountant-prepared business financial statements (including Profit and Loss and Balance Sheet) being no older than 18 months. - Most recent Business Activity Statements if financial statements are older than 6 months. - Current tax portal. If documentation is older than 18 months Additional/supporting financial data is to be sought, such as Management Financials (Balance Sheet and Profit and Loss statements prepared by customers using, for example, MYOB). OR Interim Financials (Balance Sheet and Profit and Loss statements prepared by an Accountant). With respect to the current financial year, interim financial data is not required unless there has been a deterioration in net profit of greater than 20% in the most recently completed financial year from the previous financial year.	The lower of 100% of Adjusted Net Profit after Tax from Current tax return year; or 120% of previous financial year. If the company pays dividends, and the dividend has been paid; deduct all these payments and added back the amount paid to the borrowers' income as verified in personal tax return. In the case of directors and shareholders being 100% owners of the company or 100% adult beneficiaries of a trust then Servicing is to be demonstrated on a combined company/trust and individual basis.
Less than 2 years but greater than 1 year	- Worked within the industry for a minimum of 2 year prior to commencing business. - Last two years personal ATO Notices of Assessment (NOA). - Last two years personal Taxation Returns	100% of Adjusted Net Profit after Tax from current tax return year

Income Self-employed - Sole owner, Partnership, Company and Trust	Verification	Weighted
	- If a Partnership/Company/Trust, last Business ATO Notice of Assessments (NOA) - Last business Taxation Returns - Accountant-prepared business financial statements (including Profit and Loss and Balance Sheet). For sole trader a balance sheet may not be available. - Most recent Business Activity Statements showing 12 months of trading. - Detailed business plan less than 6 months old. - 12 months of business account transactions - Cashflow forecast and budget for a minimum of 12 months. - Current tax portal.	

Income Adjustments

Adjustments to Net Profit	Category	Treatment
Add back	Interest	Interest may be added back to after-tax income, only if all the current debts of the business are included in the list of current liabilities.
	Depreciation	Depreciation is the non-cash expense to the business for using an asset over its useful life which is reflected in the profit and loss. Depreciation add back can be 100% but not exceed 30% of the assessable business income, in the normal course of business, from the tax returns. This is to be included as non-taxable income. Businesses use once off instant asset depreciation write-off for capital purchases (100% of asset value) for tax advantages. This is actual cash expenditure by the business and the cash could not have been able to be used to service debt in that period. These can be added-back, at GMCU's discretion if shown to be a once off, to net assessable income pre-tax. This business expense would, in normal trading, would have been included in the taxable profits. To identify this a business depreciation schedule would be required.
	Extraordinary expenses	If the expense is a one off (i.e., has occurred in one accounting period only and will not recur in future), you may add it back to net profit. Commentary needs to justify this decision. If there is corresponding income generated directly from the expense it should not be added back.
	Additional superannuation	If the borrower (for example the director/business owners) has made lump sum or regular voluntary super contributions more than the minimum statutory requirements, then these extra amounts can be added back. Borrowers to confirm if these are discretionary and can be ceased.
	Distributions	Distributions from a discretionary family trust to children under 18.
Deduction	Business taxation	Business taxation is an annual expense, which does not usually appear in the profit and loss statement.
	Extraordinary income	Extraordinary income is any income that occurred in a single accounting period. Examples include profit on the sale of an asset or a large one-off contract. If the financial statements show any extraordinary income before net profit, you must reduce gross profit by that extraordinary income.

12. Living Expenses

Classification of Living Expenses

Under responsible lending obligations GMCU is required to make reasonable enquiries and verify general living expenses for all borrowers and guarantors. For all applications where a serviceability assessment is required itemised details of the borrowers “declared living expenses” are to be provided.

There are 3 classifications for declared living expenses:

- General living expenses
- Other living expenses
- Property expenses (non-owner occupier).

Classification	Recording	Expense examples
General living expenses	For servicing calculation purposes, the borrower(s) declared ‘General living expenses’ are compared to the income tiered HEM value with the maximum of these two figures.	• Medical/health (excludes health insurance) • Groceries • Clothing/personal care • Motor Vehicle running costs • Recreation/entertainment • Childcare • Telephone/Internet/media • Transport • Higher/tertiary education (excludes HECS) • Public primary/secondary education • General insurances (includes home & contents, car); and • Primary residence costs (excludes strata/body corporate fees).
Other living expenses	Outside of HEM and recorded separately	• Personal insurances - (health/life/accident/pet insurance) • Private education – where private school fees and associated costs • Child Maintenance - Child maintenance expenses for non-dependent children • Owner occupied strata/body corporate fees • Other living expenses not included elsewhere
Property expenses (non-primary residence)	Outside of HEM and recorded separately.	This includes investment property, non-income earning property, vacant land & holiday home costs. To be captured are: • council rates • utilities • body corporate or strata fees • insurance • statutory fees Excluded are depreciation and interest costs.

Household Expenditure Measure (HEM)

GMCU does not use benchmarks as a replacement for making enquiries about a particular customer's current income and expenses, nor a replacement for an assessment based on that customer's verified income and expenses.

The Household Expenditure Measure (HEM) will be used as a guide for the comparison of "general living expenses" as stated by the borrower. HEM data is subscribed through and provided by the Melbourne Institute of Applied Economic and Social Research, Melbourne. The HEM method adopted is based on the borrower's gross income and number of dependents.

Review of Living Expenses

The review of expenses is to be undertaken (via review of bank statements / transaction history over a period appropriate to the frequency of the expenses) to check for reasonableness. The review is to assess for satisfactory conduct indicating affordability and alignment to customers declared living expenses.

Where this review identifies undisclosed or understated commitments, further inquiry must be made to confirm the borrower's actual commitments, and, if the outcome is that the personal budget provided is not accurate, the borrower is required to provide an updated budget, and the serviceability assessment is to be recompleted based on this revised budget.

The verification level of the application will determine whether the borrowers living expense estimate is relied upon for the purposes of a serviceability assessment, or whether there will be further review the borrower's transactional data in detail to verify the living expenses.

In addition to the verification level, several reasonableness checks will apply.

- Where the borrowers living expense estimate equates to 75% or more of the applicable HEM figure and is deemed reasonable estimate through transaction account activity and based on their living situation, no further detail is required.
- If Buy Now Pay Later facilities (or "pay in 4" type facilities) being debited through the borrower's account, then these expenses are confirmed that they have been included in their stated living expenses.
- Where the borrowers living expense estimate equates to less than 75% of the applicable HEM figure, a detailed breakdown of living expenses by category should be gathered and checked through account transactions for reasonableness. A full verification of the borrowers' living expenses by review of transactional statements is required.
- Full verification of the borrowers' living expenses by review of transactional statements is required if there are warning signs. These include:
 - Regular payments which do not align to borrower's budget but will have a negative impact on serviceability
 - Missed or dishonoured payments or commitments.
 - Conduct for overdrawing.
 - Cash advances in credit cards
 - Redrawing facilities to meet living costs
 - Undeclared credits into accounts which do not align to their financial position
 - Identification of liabilities which have not been disclosed elsewhere in the application.

Living expenses used for serviceability assessment

A borrower's capacity to repay will be determined by:

General Living Expenses, using the higher of either:

- The borrowers declared living expense, or
- The applicable HEM figure for the living situation and income level, or
- The living expenses verified by review of transactional statements.

Plus Other living expenses'

Plus Property expenses (non-primary residence)

General Living Expenses for Partnered Single Borrower

When an application is made in a Single Name and the potential borrower is married/partnered/in a de facto relationship, the full couple living expenses and liabilities are to be applied and not split between the potential borrower and their partner. The full Couple Living Expense and Liabilities are to be applied.

Living expenses can be split between the potential Borrower and their partner (up to 50%) if the expenses are verified as being split between the two. This includes documenting a discussion with partner confirming living expense share and provision of the following from the non-borrowing spouse:

- Discussion with non-borrower regarding shared living
- Income verification documents for both
- Asset and Liability Statement
- Living Expenses Statement co-signed
- Signed Privacy Act for both.

Board Expense/Rent-Free Accommodation

Where a borrower is purchasing or refinancing an investment property and has stated or declared that they will reside with family or friends on a rent-free basis or at an unusually low rental cost, a notional rental expense of \$150 per week (\$650 per month) per borrower is to be included as a commitment for loan serviceability.

If the rental expense declared by the borrower(s) is less than this, the notional amount is to be included.

Notional rent can be excluded when the borrower is living rent free with their parents. A letter from the parents must be obtained confirming that the borrower resides in their property and does not pay any rent or board.

13. Sensitised assessment rates and commitments

To establish the cost of existing credit commitments the current amount and remaining term of all existing loans are to be determined, which are to be treated as follows:

Facility:	Sensitised Assessment Rate
All home loan facilities	at 3.00% above the current variable interest rate for that loan or at 5.50%, whichever is greater with the actual remaining P&I loan term.
All fixed rate personal loans or business goods mortgaged loans	no sensitivity as actual commitment used
All variable rate personal loans or business goods mortgaged loans	at 3.00% above the current variable interest rate for that loan.
Line of Credit/Home Equity Loans	at 3.00% above the current variable interest rate for that loan or at 5.50%, whichever is greater.

Margin Lending	at 3.00% above current variable interest rate for that loan or at 5.50%, whichever is greater with the actual remaining P&I loan term
Credit card/Zip Pay/store cards	monthly commitment is 3.80% of limit
Bank or Performance Guarantee	If cash secured, then this is to be noted at \$0. Otherwise Limits to be amortised over eight years at 3.00% above the prevailing GMCU standard variable interest rate for a business term loan based on security provided or at 5.50%, whichever is greater.
Overdraft facilities	Limits to be amortised over eight years at 3.00% above the current variable interest rate for that facility or at 5.50%, whichever is greater.
Lease/Hire Purchase repayments	no sensitivity as actual commitment used
Charge Card (e.g. American Express)	0% of the repayment amount or card limit, if 3 months statement are provided and the balance is paid off in full each statement period, for at least 3 statement periods. Should evidence exist that the borrower has not paid off the balance in full for the statements reviewed the highest monthly spend figure is to be included as a credit limit in the serviceability assessment. Note: An unpaid facility may be operating outside of the facility terms and conditions
HECS & HELP: evidence this from either suitable ATO documents (i.e. MyGov statement) or payslip deductions or ATO HECS/HELP rate calculator/thresholds.	100% of the monthly commitment. Note net income may already be deducted from wage. If this is the case, then it does not need to be included as a separate line item. However, inclusion is to be noted.
Tax obligations/Tax Debt: evidence of repayment arrangement to be obtained from ATO	100% of the monthly commitment
Business loans held solely residentially secured	at 3.00% above the applicable rate or at 5.50%, whichever is greater
Business loans held with commercial or rural security	at 3.00% above the applicable rate or at 5.50%, whichever is greater

For business lending the 3.0% buffer rate is to apply for all residential mortgaged facilities to unincorporated businesses. These borrower types and characteristics include people acting as sole proprietors or in partnerships for business purposes. The major businesses included are unincorporated such as farms, retailers, professional practices (medical, legal, dental, accounting, etc.), tradespeople such as plumbers, electricians, carpenters, etc. It includes households whose dealings with other sectors are for business purposes, and family trusts.

For associated for business loans a reduced buffer of 1.0% can be applied in the following cases:

- Company structure, both Proprietary Limited and Limited structures.
- Unit Trust structures; and/or
- Loans with commercial security.

Loans with 3 months or less remaining to be repaid can be excluded from servicing providing notes to be included of the exclusion and proof is provided of borrowers having sufficient cash resources remaining to cover these payments following settlement of new loan.

For loans with Interest Only (IO) repayments, the Principal and Interest (P&I) repayment is calculated using the residual Principal and Interest (P&I) loan term e.g. for a 30-year loan term with IO repayments for the first 3 years, the P&I repayment is calculated over the residual P&I term of 27 years.

Commitments to Joint Names (common debt) for Single Borrower

Any joint liabilities held with a third party (including a spouse or de-facto) are to be included at the full repayment in the first instance. Only the applicants' share of income should be included for a jointly owned rental property.

If servicing can't be met on this basis liabilities held with third parties may be reduced to only the borrowers' share of the repayment provided:

- Clear evidence is provided showing the other party is meeting their share of the joint liability (Example would be loan statements, account statements that identify that there are two parties repaying the debt, for a jointly owned investment property it could be providing evidence the rental income earned jointly fully covers the joint loan commitment; and
- The third-party completes an application information form (including privacy) in full including all income and liabilities held. Supporting income evidence is supplied in line with standard requirements and a serviceability assessment is complete confirming they meet the required net surplus income. Liability statements are not required for loans not shared with the borrower.

14. Funds to complete

For all purchases, we must be satisfied that the borrower has enough funds to complete the purchase, including costs. (e.g. Bank Statement, Letter from Solicitor, evidence of funds available in a line of credit, evidence of real estate sale price/existing debt).

Borrowers who have saved a deposit are more likely to be prepared for their new loan and have demonstrated a willingness to meet ongoing repayments.

Genuine Savings

Genuine savings is defined as a demonstrable savings pattern established over a minimum period of 3 months in the name of at least one borrower prior to the loan application being received. Evidence of at least 5% genuine savings is required for loans when the LVR is over 90%.

Genuine Savings Definition

- A demonstrable savings pattern established over a minimum of 3 months in the name of at least one borrower prior to the loan application being received; or
- Evidence of meeting rental payment obligations for the past 6 month

As a guide genuine savings:

Includes:

- Accumulated savings (Savings account)
- Funds held in savings account (for period greater than 3 months)
- Sale proceeds of shares or managed funds
- Equity in or from real estate
- Non preserved superannuation contributions (provided the borrower has access to the funds in cash from, and minimum employment conditions are met)
- Additional loan repayments that can be redrawn
- Term investment where the lump sum has been held in an account in the name of at least 1 borrower for a minimum of 3 months prior to the loan application being received.

Does not include:

- First homeowner grant/Government grant.
- Proposed savings plans or rental purchase plans.
- Funds held in company/business accounts.
- Inheritances
- Advances on wages/commission.
- Builder discount/finance or any type of incentive.
- Proceed from illegal activity.
- Advantageous / favourable purchases.
- Borrowed funds (e.g. personal loan).

Where 3 months savings account history is not available, for first home buyers, GMCU will accept a borrower's rental history for the past 6 months. One of the following options must be provided along with the savings account history that is available:

- 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
- 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.

Rental history must show consistent and timely payments. Late payment of greater than 7 days are not seen as acceptable.

Gifts

Any gift that provides a borrower(s) with their deposit (equity) must be from an immediate family member and supported by the completion of a statutory declaration from the gift provider, stating that the monies are a non-refundable, non-repayable gift.

15. Security Real Estate Property

Residential Property

A residential property used as security is granted a favourable LVR and is also treated favourably by APRA when considering the overall liquidity of the GMCU. Therefore, it is important that a residential security is properly identified as such.

Residential Property must be;

- predominantly for residential use, and
- Zoned for predominant residential purposes, and
- readily marketable as a residential property

Acceptable Securities

- Residential house and land.
- Residential strata home unit with at least one bedroom having a living floor space area no less than 40m² (excluding balcony and car space).
- House & land on acreage or rural residential property with acceptable dwelling, essential services connected sealed roads and non-income producing. Note, tank water and septic tank connections are acceptable where considered common to the location with no related adverse comments outlined by the valuer.
- Off the plan purchases.

Unacceptable securities

- Vacant land with no intent to build for speculative purposes.
- More than two dwellings on one title (for a Home Loan product)
- Leasehold property under national parks & wildlife authority (e.g. land in Thredbo or Kosciusko)
- Studio apartments/Bed sitters having a living floor space area no less than 40 m² excluding balcony and car space Property allotments in sparsely populated areas

- Company title or Company Share title (VIC)
- Properties under a “time share” arrangement
- Resort complex
- License Agreement for a retirement village, unit or shares where the borrower doesn’t have clear title to the property
- Strata title hotel/motel room
- Commercial or industrial zoned property for consumer products (e.g. home loan products)
- Properties that are not exclusively for residential use-regardless of zoning (e.g. a single residential dwelling that has been converted to allow or contains an ongoing retail, commercial, industrial operation within any part of the boundary).
- Stand-alone 2nd mortgage securities Partially complete properties (including properties where construction has commenced in any form) are unacceptable for standard loans. This security type can only be considered under construction loan parameters where the same builder who started the building is also completing the outstanding works.
- Relocatable or transportable homes (excluded from this is where improvements are a substantial and permanently built-in (e.g. plumbed and services connected) and lawfully occupied.
- Properties affected by contamination
- Properties where essential services are not connected (include water supply, electricity and all-weather roads). Note, tank water and septic tank connections are acceptable where considered common to the location with no related adverse comments outlined by the valuer.
- Owner/builder construction (exception is for licensed builders with a proven history of residential house construction, where a fixed price contract, builder and warranty insurance are provided)
- Rural residential properties not meeting the acceptable criteria
- Properties located in remote mining towns
- Strata retirement village apartments
- Serviced apartments
- Properties in need of significant repair unless the repairs form part of the loan purpose and funds are adequately controlled.

16. Loan to Valuation

Loan to Valuation Ratio (LVR)

LVR is a method of discounting the value of a security to allow for;

- Possible future market fluctuations in its value.
- A reduced resale price should the GMCU need to force its sale in unfavourable circumstances.
- Applying favourable interest rates and quicker approvals for members who have equity in a security.
- Determining if the GMCU should seek Lenders Mortgage Insurance (LMI).

LVR percentages are detailed in Board policy – Loans ‘Loans to Valuation Ratio’ section.

Example

If a mortgage over a residential property has a LVR of 80% and it is purchased for \$200,000 then borrowings up to \$160,000 are within LVR.

If the mortgage has LMI capitalised into the loan then this is to be included in the LVR, e.g. loan plus LMI premium divided by security value.

Maximum LVR

Residential Property Types	Specific Considerations	LVR	LVR with LMI (subject LMI approval)
Standard Residential Property			
Improved residential property up to 10 hectares (standalone house or duplex). Includes Detached or semidetached units / townhouse / villas.		80%	95% with P&I repayments. 90% for debt consolidation and cash out loans. 90% Investment Home Loans.
Non-Standard Residential Property			
Rural lifestyle blocks /hobby farms - Land greater than 25 acres and less than 100 acres in size may be regarded as a rural lifestyle block or hobby farm. A valuation is required, and these properties must meet all the following criteria: - zoned rural residential, rural living or similar (not farm, rural, primary production or similar) - primary purpose is residential occupation, although may be tenanted. - the land must not be used to derive income for servicing from farming (agriculture, horticulture, or aquaculture) or agistment.	Valuation will be a key to determining the LVR. Property needs to have less than 6 months sales period, amongst other similar lifestyle properties, within 30 minutes commutable distance to a regional hub and not include income producing return/or improvements.	80%	95% with P&I repayments. 90% for debt consolidation and cash out loans.
Unit/apartment (living area = or > 50sqm).	No more than 3 units to be held in the block	80%	95% with P&I repayments. 90% for debt consolidation and cash out loans.
Small Residential Properties and Apartments (40m2 to 50m2 excluding balcony and car space)	Full valuation required	70%	90%
National Rental Affordability Scheme properties.	Full valuation required.	70%	85%
Off the Plan Purchase (to be settle < 6 months) > 40m2	Full valuation required	80%	95% with P&I repayments. 90% for debt consolidation and cash out loans.
Luxury Properties	Refer below	70%	*

Luxury property thresholds applicable to differing property types and geographic locations manage the market and credit risk associated with high value properties.

State	Property Value of Units, Apartments and Townhouses	Property value of Houses	Maximum LVR
NSW/Vic	\$3.0M	\$4.0M	70%
All other states	\$2.0M	\$3.0M	70%

This is a guide and would generally relate to the capital cities in each State. These levels may be reduced based on the specific location, property type and any adverse valuation ratings identified.

17. Insurance

It is important that when GMCU takes security and applies an extended property value that proper insurance is held over the asset.

During the term of a loan all counterparties are required to maintain the relevant insurance policy with an APRA-regulated insurer noting GMCU's interest.

Description	Insurance Required
Property insurance	Home building insurance on any land with established improvements must be evidenced prior to settlement. The evidence must note GMCU's interest as mortgagee and the amount of cover must be equal to the cost to clear the site and re-construct a like property in the event of total loss as detailed in the valuation report. If a valuation is not available, the amount should not be less than the total loan amount less land value plus a reasonable allowance for site clearance.
Strata title	Strata Insurance must be evidenced prior to settlement. Separate insurances for property units under strata/community title are not required if the borrower provides evidence that the dwelling is covered under the strata/community corporate insurance.

Schedule of Amendments

Date	Version	Details
12/09/2025	1.0	New Credit Underwriting Procedure - Broker

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gmcu.com.au

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