CRM POLICY 7C
Lending Origination & Approval
Version 2024.2

Contents

1. General

1.1 Policy References

Gateway's credit policies are established by Gateway's Executive Team via the Executive Risk and Compliance Committee (ERCC) subject to ratification by the Risk Committee of the Board of Directors. All Gateway lending officers should be familiar with these policies.

This policy should be read in conjunction with related Gateway policies covering the areas of general risk management and more specifically, credit risk management as it relates to lending. Gateway's approach to credit risk management is designed to align with relevant APRA prudential standards and the general operating parameters and regulatory guidelines expected of an Australian Authorised Deposit-taking Institution (ADI).

Related Guidelines and Standards referred to in this context include but are not limited to:

Gateway Policies

<u>Risk and Compliance</u>

- Risk Management Framework
- Risk Appetite Statement

<u>Credit Risk Management</u>

- CRM 7B Credit Risk Management: Credit Quality
- CRM 7D Credit Risk Management: Credit Management

Gateway Standards & Procedures

- Gateway Responsible Lending Guide
- Lending Origination and Approval Standard
- Lending Origination and Approval Standard - Commercial
- Lending Procedures and Guides

Regulatory/ Prudential Standards

- APG 223: Residential Mortgage Lending
- APS 112: Standardised Approach to Credit Risk
- APS 220: Credit Risk Management
- APS 221: Large Exposures
- CPS 220: Risk Management
- CPS 231: Outsourcing
- CPS 510: Governance

1.2 Credit Policy Management

The ERCC is responsible for ensuring that all credit policies remain in keeping with changing business conditions, the structure and needs of the organisation, and Gateway's capacity for risk. At the same time, the people who use the policies on a daily basis are among the best sources of innovation and improvement in these policies. All personnel who are directly engaged in initiating, implementing and managing credit play an important role in ensuring that these credit policies continue to address the changing nature of our business. Proposals for new or modified credit policies should be submitted to the Risk Governance Division (RGD) for consideration.

1.2.3 Review Process

Gateway will review the effectiveness of all credit risk policies at least annually. Accountability for the review program rests with the Chief Risk Officer and the Risk Committee.

Inputs to the review process will include factors such as:

- Lending Portfolio performance in the context of Gateway’s credit risk appetite
- Environmental influences
- Findings from operational review processes such as Internal Audit, External Audit and the Lending Quality Assurance Program

2. Credit Risk Management Framework

2.1 Overview

Credit risk – the risk of counterparty default –represents a large risk facing an ADI. The presence of a well-functioning credit risk management system is fundamental to the safety and soundness of an ADI. It is the responsibility of the Board of Directors (Board) and senior management of Gateway to oversee the nature and level of credit risk accepted. This responsibility includes ensuring that Gateway has in place credit risk management policies, procedures and controls appropriate to the complexity, scope and scale of its business.

2.2 Board Oversight

The Board of Gateway is ultimately responsible for its risk management framework including the components relating to credit risk. It is the Board's role to ensure:

a) it defines Gateway's credit risk appetite and establishes a credit risk management strategy;
b) a sound credit risk management culture is established and maintained throughout the institution;
c) senior management take the steps necessary to monitor and manage all material risks consistent with the strategic objectives, risk appetite statement and policies approved by the Board;
d) the operational structure of Gateway facilitates effective credit risk management;
e) policies and processes are developed for risk-taking that are consistent with the credit risk management strategy and the established credit risk appetite;
f) sufficient resources are dedicated to credit risk management;
g) uncertainties attached to credit risk measurement are recognised, and the limitations and assumptions relating to any models used to measure components of credit risk are well understood; and
h) appropriate controls are established that are consistent with Gateway's credit risk appetite, risk profile and capital strength, and are understood by, and regularly communicated to, relevant staff.

2.3 Regulatory Guidelines

2.3.1 National Consumer Credit Protection Act – Responsible Lending

The *National Consumer Credit Protection Act 2009* (NCCP Act) came into effect on 1 July 2010. Chapter 3 of the NCCP Act requires credit licensees to comply with Responsible Lending Conduct obligations.

The NCCP Act requires Gateway to meet responsible lending obligations in the following ways:

- Make reasonable inquiries about each applicant's financial situation, requirements and objectives
- Take reasonable steps to verify the applicant's financial situation
- Make an assessment about whether the credit contract is 'not unsuitable' for the applicant based on the inquiries and verification

The responsible lending obligations apply when Gateway:

- Provides a customer a **new** credit contract;
- **Increases** the limit on a particular credit contract; or
- Suggests to a customer that they **remain** in a particular credit contract.

2.3.2 Customer Owned Banking Code of Practice

Refer to 'Customer Owned Banking Code of Practice' (previously known as the 'Mutual Banking Code of Practice).

2.3.3 Privacy Act

Refer Privacy and Credit Reporting Policy and Program.

2.3.4 Australian Prudential Regulation Authority (APRA)

The Australian Prudential Regulation Authority (APRA) is the prudential regulator of the Australian financial services industry. It oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance, friendly societies, and most members of the superannuation industry.

As an 'Authorised Deposit Taking Institution' (ADI), Gateway is obligated to operate within the prudential guidelines administered by APRA. These guidelines are a significant influence on the framework that Gateway has established to manage our business and protect the assets of our Members.

More information about APRA may be obtained at www.apra.gov.au

2.3.5 Australian Securities & Investments Commission (ASIC)

ASIC is Australia's corporate, markets and financial services regulator and is an independent Commonwealth Government body. ASIC was established by the Australian Securities and Investments Commission Act 2001 and carries out much of its work under the Corporations Act.

ASIC is also the national regulator for consumer credit and finance broking. From 1 July 2011, all businesses wanting to engage in credit activities have been required to hold an 'Australian Credit Licence' or receive authorisation from a licensee.

'Credit activity ' is defined in the National Consumer Credit Protection Act and includes activity relating to credit contracts, consumer leases, related mortgages and guarantees, and credit services.

Gateway is the holder of Australian Credit Licence number 238293.

2.4 Lending Approval & Control Authorities

2.4.1 General

Pursuant to our Constitution, and subject to the *Corporations Act 2001*, the *Banking Act 1959* and other statutory parameters that may exist from time to time, Gateway may determine the kinds of financial accommodation it will make available to Members.

Subject to the above, the Board has absolute discretion to approve an application for financial accommodation in full or part. However, it does by resolution, delegate this power to selected officers of Gateway.

The Board must establish a policy for the delegation of this power to approve or reject applications for financial accommodation and the limits, if any, within which officers may exercise any delegated power.

2.4.2 Delegations of Authority

In order to permit the effective day to day operations of Gateway, the Board delegates authority to approve, control or decline loan facilities.

Delegated lending authorities (DLAs) are contained in Appendix 2. A record of personnel holding such authority is maintained by the Chief Risk Officer.

2.4.3 Personal Approval Authorities in Practice

The following principles must be adopted by Officers when exercising a delegated Credit Approval Authority:

- The assigned Credit Approval Authority relates to the total loans outstanding of an individual counterparty including those for which the individual counterparty is contingently responsible as guarantor, irrespective of product.
- Under no circumstances may a staff member grant credit in excess of their authority.
- Credit Approval Authorities are provided by the Board (or its delegated officer(s)) on an individual basis only i.e. they are not automatically assumed by an individual performing the role (either permanently or temporarily) of another officer.
- Once an Authorised Officer makes a decision on a loan, that decision may only be altered by an approving officer of at least one authority level higher. This principle refers to all aspects of the decision including, for example security requirements.
- The name of a Delegated Approving Officer and the date, endorsed with their signature, must be clearly shown on all approvals.

The above points will not be applicable if DLA is assigned to an origination system. DLA may be assigned to the system in certain circumstances to expedite credit decisioning. Refer Appendix 2.

2.4.4 Origination System Approval Authorities in Practice

Where applicable the same principles adopted by Officers of the bank will apply to a Credit Approval Authority delegated to an origination system such as Cloudcase:

- The assigned Credit Approval Authority relates to the total loans outstanding of an individual counterparty including those for which the individual counterparty is contingently responsible as guarantor, irrespective of product.
- Under no circumstances may any excess of the authority be approved by the origination system.
- Any decision of the Origination System may be overridden by the same level authority holder. When overridden however, the overriding officer takes responsibility for all aspects of the decision.

2.4.5 Approval and Cancellation of Delegated Lending Authorities

DLAs are reviewed and approved by the Chief Risk Officer (CRO) with all changes reported to the Executive Risk & Compliance Committee for subsequent confirmation by the Risk Committee. The decision to approve a DLA takes into consideration completion of relevant training and satisfactory outcomes of any reviews.

A DLA may be cancelled as a result of unsatisfactory conduct or review, change of position or termination of employment. A DLA may also be cancelled as soon as a notice of termination of employment is issued or received.

2.4.6 DLA Reviews

Lending Authorities up to and including level 8 are subject to annual reviews by the CRO. The reviews are based on various metrics including:

- QA review results
- Completion of assigned training
- Feedback and recommendations of the officer's direct manager
- Any other pertinent information

A DLA review may also be triggered at any time by excessive QA findings or serious DLA breaches.

All DLA changes are reported to the Executive Risk & Compliance Committee for subsequent confirmation by the Risk Committee.

For further information refer to the DLA Review & Approval procedure.

2.4.7 Credit Decisions: Override Authorities

APRA's Prudential Practice Guide APG 223 defines an 'override' occurring when a residential mortgage loan is approved outside an ADI's loan serviceability criteria or other lending policy parameters or guidelines' This definition may also be extended to Consumer Loans.

Generally, loan applications exhibiting characteristics that may be considered to increase inherent risk levels above the usual expectations will require escalation to a higher level of authority.

Gateway monitors the frequency of such transactions i.e. those considered to be outside standard or normal guidelines. Specific limits are articulated with the Credit Risk section of Gateway's Risk Appetite Statement and performance against these metrics will be periodically reported to the Board via the Risk Committee.

Where the frequency of 'overrides' in a specific category exceeds or is considered likely to exceed a risk appetite tolerance expressed by the Board, senior management are required to identify appropriate remedial action under immediate advice to the Risk Committee.

Compliance with the elements of this policy and the associated credit standards is either considered mandatory or discretionary.

- Mandatory elements require strict compliance. However, exceptions may be approved by Gateway Directors under DLA 9 or 10 authority.
- Discretionary elements allow DLA holders with appropriate DLA levels to override the parameters.

Approval of transactions requiring 'override' authority must clearly document the elements of the transaction warranting override consideration and the mitigants proposed in support of any recommendation.

2.4.7.1 Override Reporting

Regular override reporting will be produced by Risk Governance Division and provided to the Executive team and to the Risk Committee and Board. Such reporting may include tracking against risk tolerance limits for overrides and distribution across categories, lending officers or distribution channels.

2.4.8 Product Decisions: Override Authorities

Departures from standard product parameters as outlined in the Loan Types and Purpose standard are also subject to limited approval as detailed in **Appendix 2: Lending Authorities**.

2.4.9 Control of Loans in Arrears

Loan facilities in arrears are controlled by Credit Management Team within guidelines established by the Risk Committee. Refer Section 7D: Credit Management Policy for further guidance.

3. Credit Risk Appetite

3.1 Overview

The principles governing Gateway's approach to Credit Risk Management are outlined in the Credit Risk component of its Risk Appetite Statement. For reference purposes, an extract from these principles is provided below:

- *Gateway primarily operates in the Consumer Lending and Residential Mortgage lending markets. These markets are highly competitive and, in the main, price driven. To diversify our balance sheet and generate improved returns commercial property-based lending is now included in our suite of products. Reverse Mortgages are now established in our product suite.*
- *Gateway will continue to provide loan facilities for personal, household and investment purposes. This will include offering secured and unsecured loans and overdraft facilities. Term loans may include variable or fixed interest rates and 'principal and interest' or 'interest only' repayment arrangements.*

3.2 Credit Risk Objectives

Gateway's primary credit risk objective is to optimise the commercial return on its lending assets (yield) without unduly compromising the recoverable value of those assets. Against this background, Gateway seeks to ensure all loans provided to Members fall within its acceptable tolerance levels for risk characteristics whilst recognising that some transactions carry higher inherent risk than others.

Gateway measures servicing capacity using a Net Income Surplus (NIS) measure. NIS is defined as gross income after policy adjustments (e.g. discounts, buffers) less taxes, expenses and commitments.

As a secondary form of verification, and to ensure it complies with prudential expectations, a total debt-to-gross-income ratio must also be calculated.

3.3 Channel Management

Since 2009, Gateway has maintained a limited number of commercial alliances primarily focused on the distribution of core products such as residential mortgage loans.

Gateway's broader objective in developing this distribution base was to provide additional business streams that will contribute to the long-term sustainability of the business. Commercial activity generated through this channel must be within our prevailing Risk/ Credit Risk Appetite including but not limited to, appropriate outcomes around:

- Regulatory compliance (including Treasury Risk Management)
- Credit quality
- Minimum acceptable levels of operating profitability as a business component
- Minimum acceptable levels of return
- Operational efficiency

For further information, refer to Policy ORM 5B.13 Broker Channel Management.

3.3.1 Application of Credit Policy

Determination of suitable Credit Quality parameters including portfolio concentration and characteristic limits bear a direct correlation to the Risk Appetite of the business. It is essential that Gateway maintains high standards of credit integrity across the portfolio regardless of the originating channel.

All credit underwriting and management parameters applying to transactions originated via third party channels reflect as a minimum standard, those applying to traditionally originated transactions.

Additionally, further credit quality benchmarks will apply from time to time. These include but are not limited to:

- Warehouse funding transaction acceptance parameters
- Lenders mortgage insurance underwriting and pool insurance guidelines
- Geographic and/or originator concentration limits
- Arrears management and tolerance levels
- Specific product and/or credit policy variations by channel

Extension of credit approval or control delegations to third parties i.e. external to Gateway, is not permitted.

3.3.2 Concentration Limits: 3rd Party Distribution

Gateway will establish and maintain limits pertaining to the quantum and risk profile of lending business sourced from distribution partners. These outcomes will be periodically reported to the Risk Committee and key elements will be recorded in the Credit Risk elements of the Risk Appetite Statement.

Limits will be reviewed at least annually for confirmation by the Risk Committee and will typically include metrics such as source of origination as a percentage of total lending for those products e.g. mortgage loans. Once again, preferred operating ranges for each metric will be established and remedial action implemented should it be warranted.

3.3.3 Performance Management

Gateway employs a deliberately selective approach to the implementation of distribution partnerships. Establishment and continuation of distribution relationships with partners promoting Gateway lending (and associated) products is subject to periodic review based on certain criteria:

- Volume and credit quality of business originated against expectations
- Collaboration demonstrated by partners in promoting the relationship
- Profitability
- Commercial integrity and professional accountability demonstrated by partners e.g. if called upon to remediate unsatisfactory behaviours of their employees/members
- Future strategic alignment, e.g. future plans around ownership, product selection or distribution methodologies should be assessed for potential impact on any or all of the preceding criteria

3.4 Large Asset Exposures (Lending)

3.4.1 Overview

Gateway is required to meet meets its prudential obligations under Prudential Standard *APS 221 'Large Exposures'*.

A Large Exposure is an exposure to a counterparty (or a group of related counterparties) which is **greater than or equal to 10%** of an ADI's Regulatory Capital.

Refer to Treasury Risk Management (TRM) Policy 5E 'Large Exposures' for detailed policy and limits for:

- **Asset Exposures to Financial Institutions** – liquidity placements (by Gateway) with individual institutions or groups of institutions
- **Asset Exposures to Members** – loans to individual Members or groups of associated Members
- **Liability Exposures to Members**– deposits by individual Members or groups of associated Members
- **Liability Exposures to Financial Institutions** – Gateway borrowings from individual institutions or groups of institutions (securitisation).

3.4.2 Concentration Limits

Specific concentration limits relating to exposures to related counterparties, origination sources, employer/ industry groups etc will be established and recorded from time to time as components of Gateway's Risk Appetite Statement.

3.5 Ethical Banking

Ethical banking, also known as responsible banking, encompasses a banking system that operates based on values driven by social and environmental responsibility. The aim of incorporating ethical banking practices is to minimise negative impact from banking activities, products and services.

As a member-owned bank, Gateway is diligent about utilising members' money for ethical purposes in line with its purpose of 'Pocket and Planet'. Accordingly, Gateway strives to avoid investments in companies that cause harm to people and the planet and supports sustainable use of resources. Therefore, Gateway will not directly lend to businesses with their primary operations in industries and/or activities:

With significant demonstratable detrimental impacts on the environment, including but not limited to:

- Coal, oil and gas exploration, mining or extraction.
- Logging of old forests and businesses that unethically source timber.

That cause serious health or social issues including:

- Activities involving modern slavery and/or sweatshop methods.
- Production of tobacco, tobacco products and/or tobacco alternatives.
- Manufacture of gambling or gaming equipment and businesses whose primary purpose is the provision of gambling services.
- Pornography production and/or distribution.

In the production and sale of armaments and/or ammunition, including nuclear and controversial weapons designed to inflict harm. The mining and/or refining of uranium for military purposes.

That export live animals for slaughter. The practice exposes animals to stressful transport conditions and slaughter and handling practices that are considered cruel.

4. Credit Origination Standards

4.1 Overview

Gateway is conscious of its obligations as a regulated entity providing credit to loan applicants. All requests for loan accommodation must be considered thoroughly and any decision to provide credit must be based on a view that the transaction must be 'not unsuitable' (as specified in the NCCP Act) for the borrower.

The following sections outline the key areas of consideration for lending staff.

4.2 Eligibility

To qualify for a loan, an applicant must be employed (including self-employed) or have other sustainable income sources (e.g. superannuation, investment income) of a sufficient level to satisfy Gateway that they can meet the proposed loan commitments.

As a general rule, all existing shareholder Members of Gateway are eligible to apply for loan accommodation. However, some restrictions and/or conditions may apply to certain applicant categories as listed below.

Category

- Non-Members
- Gateway Staff & immediate family
- Gateway Directors & associates
- Minors
- Un-discharged Bankrupts
- Discharged Bankrupts
- Non-Residents

More specific detail is contained in the credit standard accessible via the staff intranet.

4.2.1 Identification of Parties to a Loan transaction

To comply with the provisions of the *Anti-Money Laundering and Counter Terrorism Financing Act 2006* (AML/CTF Act) a borrower or guarantor at the time of a loan application is to provide appropriate identification. This requirement may also apply to existing Members of Gateway who have previously been satisfactorily identified. Further details concerning the AML/CTF Act may be found on the Staff Intranet.

4.2.2 Standard Eligible Mortgages

Generally residential mortgages established by Gateway should satisfy the definition of a 'standard eligible mortgage' as documented in APS 112. Refer to APS 112 for the full definition. However, the main requirements, as pertaining to Gateway's policy framework, are:

a) prior to loan approval and as part of the loan origination and approval process, documented, assessed and verified the ability of the borrowers to meet their repayment obligation;

b) valued any property offered as security;

c) where the loan is financing the purchase of a property, the value of the property for LVR purposes must not be higher than the effective purchase price;

d) the value of the property at origination must be maintained, unless a new valuation is done as part of a new loan application, an event occurs the results in permanent reduction of the property or modifications are made that increase the value of the property. A security property may be re-valued as part of an application process or where required for a credit decision by a DLA holder. This includes a situation where a customer requests re-valuation of their property;
e) where the loan is secured by multiple properties, the aggregate value of the properties is used for the purpose of calculating LVR; however, where a residential property exposure is secured by both residential and commercial properties, a 40% haircut to the value of the commercial property was applied in calculating LVR; and
f) where the repayment of a commercial property loan is dependent on the cash flows generated by the property through rental income, an assessment of the tenancy profile relative to the maturity of the loan has been made.

Reverse mortgage products are an exception to this and are considered non-standard.

4.2.3 Non-Standard Eligible Mortgages

Should loans that are secured by residential or commercial properties fail to meet the criteria detailed above, they must be classified as ‘non-standard’ eligible mortgages.

However, residential loans may be reclassified as standard loans where the borrowers have substantially met their contractual loan repayments to Gateway continuously over the previous 36 months.

Gateway defines the criteria for substantially meeting contractual loan repayments as an absence of customer-initiated arrears events for a period of at least 36 months. In practice, any minor arrears, defined as less than the value of a contracted monthly payment, resulting from occurrences such administrative/bank errors or delayed adjustments to payments following interest rate increases would not be considered as ‘customer initiated’.

Operational requirements for the validation of mortgages at origination are contained in the relevant credit standard.

4.3 Loan Purpose

4.3.1 Overview

As a general principle, Gateway will provide loan facilities for personal, household and investment purposes. However, there are certain considerations to be applied to ensure that the true purpose of the accommodation sought is known and will not give rise to consequences that may place the transaction outside expected risk parameters.

4.3.2 Bridging Finance

Bridging finance is considered when there is an overlap between the sale of an existing property and the purchase of a new one. The borrower needs finance to fund the purchase of the new property while maintaining the existing mortgage until the sale of the original property.

In most cases, once the existing property is sold, an end debt will remain. Applications which result in no end debt will only be considered for existing members.

The following policy parameters apply:

- The maximum term of the bridging finance is limited to 12 months with a review after 6 months
- During the bridging period, loan payments must cover interest accrued on the peak debt as a minimum, calculated based on qualifying rate (section 4.4.2.3). Borrower may select Principal and Interest repayments on all or a portion of the total debt if they prefer.
- The Peak Debt (existing and new loans) should be no more than 75% of the total value of both securities.
- The End Debt should not result in a final loan to valuation ratio in excess of 80%.

Further information is available in the credit standard.

4.3.3 Loans for Debt Consolidation

All loans for debt consolidation are to be carefully reviewed to ensure a complete picture of the financial position and previous repayment history of the applicant/s is constructed. Where specified in the credit standards, supporting documentation such as account statements should be sought to verify the information provided.

4.3.4 Interest Only Loans

As a general rule, the provision of 'Interest Only' loans should be limited to:

- Revolving credit facilities e.g. secured or unsecured overdrafts
- Reverse mortgages loans
- Term mortgage loans for investment purposes and secured by investment properties

An interest-only term loan for a non-investment purpose, and/or secured by an owner-occupied property, should only be provided to assist with a specific short-term requirement (a non-investment transaction). In every case the interest-only period should be aligned with the specific objective.

An exception to the above rule is a situation where loans are cross-collateralised by multiple properties, including owner occupied and investment. In this situation, the loans with investment purposes can be considered under the investment transaction policy while the loans with non-investment purposes must be considered under the non-investment policy.

The maximum cumulative interest-only period for a non-investment transaction is five (5) years. The maximum cumulative interest-only period for an investment transaction is 10 years (e.g. five year I/O extended for another five years).

New residential interest-only loans require capacity assessment based on the residual principal-and-interest period remaining. Each interest-only repayment request should be assessed in accordance with the relevant credit standard.

4.3.5 Hardship

Where unforeseen circumstances occur (such as death, divorce, illness, unemployment or other reasonable cause), and the borrower is unable to maintain regular repayments under the contract, they may apply to Gateway to change the terms of contract.

Section 72 *'Changes on grounds of hardship'* of the National Credit Code imposes requirements on a borrower before Gateway has to deal with a hardship application. Provided these requirements are satisfied, Gateway will deal with the application.

Care should be taken that the reasons given are genuine for what could be an overcommitted position and that a satisfactory commitment position and loan term is re-established as soon as possible.

These matters will be considered by Credit Management within the provisions of the specific Hardship sections of the Credit Management policy.

4.3.6 Cash Out / Equity Release (excluding Reverse Mortgage Loans)

Cash out is defined as "the uncontrolled release of loan proceeds directly to a borrower on settlement". Where an equity release is sought and Gateway controls the release of funds at settlement, it is not considered a Cash Out and the below would not apply.

Cash out up to $100,000 (inclusive) can be issued for any purpose with no evidence required. Maximum LVR not to exceed 80%.

If the LVR exceeds 80% or the cash-out amount exceeds $100,000, the application must be supported by evidence of the intended acceptable purpose. Where the LVR exceeds 80%, applicable LMI policy will also apply.

Purposes which are considered unacceptable for cash outs above $100,000 include:

- Tax liabilities, working capital or any other business use
- Undefined 'future investment purposes'

Equity release under a reverse mortgage facility is subject to separate requirements. Refer to the Credit Standard.

4.3.7 Commercial and Business Purposes

Historically, Gateway has not sought to provide commercial facilities to its Members. However, to diversify the balance sheet and generate improved returns, a progressive introduction of commercial property lending commenced in 2019. Refer section 4.8.

4.3.8 Construction Loans

Gateway will provide accommodation to applicants seeking to build new or renovate existing, residential properties for owner occupation or investment. Residential development proposals seeking finance to construct two (2) or more new dwellings will not be considered.

As a general rule, finance will not be provided to 'Owner Builders'. Gateway's preference is for applicants to enter into fixed price building contracts with fully licensed and appropriately qualified builders.

Refer to the credit standard for further information.

4.3.9 Reverse Mortgage Loans

Reverse mortgage products are intended for members who are in full retirement. The facility provides a line of credit with no-negative-equity guarantee secured against their principal place of residence.

Borrowers are not required to make any repayments until they sell the properties, vacate or pass away.

Reverse mortgage products are regulated under the NCCP Act 2010 and NCCP Regulations 2010. The Regulations define the minimum age of the youngest borrower and the maximum LVR permitted. For further information on Gateway's reverse mortgage credit criteria, refer to the Credit Standard.

4.4 Affordability (NCCP Act Regulated Facilities)

4.4.1 Overview

Gateway carries an obligation under the provisions of the *National Consumer Credit Protection Act 2009* to ensure that all financial accommodation provided, which meets the criteria set out in the NCCP Act, is ‘not unsuitable’ for borrowers.

A key component of the assessment of an applicant’s suitability for credit is a Servicing Assessment Test. This test is completed to determine the ability of an applicant to repay their current and proposed loan commitments within their verified income. This involves an analysis of income against expected loan repayments and other commitments including living expenses and recognises that not all applicants will report their income accurately.

Ultimately, any decision to provide or deny credit must be considered in the context of achieving the most suitable outcome for both Gateway and the applicant.

4.4.2 Servicing Assessment Test

Gateway will apply a loan servicing assessment test to all proposed transactions except reverse mortgage loans. The key components of this test are outlined below:

4.4.2.1 Net Income Surplus (NIS)

Gateway’s overall approach to determining servicing capacity is a measure of Net Income Surplus (NIS). NIS is defined as gross income (adjusted for discounts and buffers) less tax, expenses and commitments.

The preferred minimum NIS is $200 with tolerance to accept lower amounts as overrides (refer Appendix 2).

The capacity assessment must also meet debt-to-income ratio (DTI) requirement of no more than 6.5 times.

Applicants must achieve a suitable servicing outcome before approval to receive financial accommodation may be granted.

4.4.2.2 Living Expenses

Gateway has adopted a living expense benchmark that is based on income-adjusted Household Expenditure Measure (HEM).

Lending staff must take the larger of the applicant’s actual living expenses and Gateway’s benchmark.

Additionally, reasonable verifications of supporting information must be undertaken to confirm appropriateness of the living expenses. Gateway may apply additional loading as a contingency where verification suggests the default living expenses do not represent actual circumstances.

HEM data is provided to Gateway quarterly via a subscription service and calculation tables are updated on receipt of revised information.

4.4.2.3 Qualifying Rate

A qualifying rate is the interest rate used to calculate mortgage loan repayments as part of capacity assessment. Qualifying rate is used for all mortgage loan commitments including continuing loans (Gateway and third party) and proposed loans.

The qualifying rate is established as follows:

Residential Mortgage Loans

For new loans, the higher of

- a set Interest Rate Margin above the proposed interest rate for each loan; or
- a Residential Floor Rate (see definition in section 4.4.2.4).

For existing loans where interest rates may not be known, the qualifying rate defaults to the Floor Rate.

Commercial Mortgage Loans

For new loans, the higher of

- a set Interest Rate Margin above the proposed interest rate for each loan; or
- a Commercial Floor Rate.

For existing loans where interest rates may not be known, the qualifying rate defaults to the Floor Rate.

Secured/Unsecured Consumer Loans: A set Interest Rate Margin is to be applied above the proposed interest rate for each loan.

For existing loans where interest rates are not known, the qualifying rate defaults to the Residential Interest Rate Margin above an equivalent Gateway product.

The current applicable Rate Margins, Floor Rates and applicable product proxies are contained in the credit standard.

The Qualifying Rate is reviewed monthly or as necessary. Approval of changes to the Rate Margins and Floor Rates rests with the Chief Risk Officer.

4.4.2.4 Floor Rates

In addition to the Qualifying Rate, floor rates were established for mortgage loans to ensure due consideration for the potential fluctuation in interest rates over an interest rate cycle. The floor rate represents the minimum assessment rate.

One input for determining the interest rate floor is the peak nominal interest rate for Gateway’s Standard Variable Interest Rate (index 16) home loans over the preceding five years. Other factors, such as regulatory expectations, are also taken into account when setting the floor rate.

Due to the relatively short average tenor of Consumer Loans, floor rate is not maintained for this product set.

Current Floor Rates are documented in the credit standards.

4.4.2.5 Other Components

Specific instructions for consideration of other income and expenditure items are contained in the credit standard. These include matters such as:

- Income Verification
- Employment Checks
- Rental income and commitments
- Self-employed applicants
- Acceptable sources of income

4.4.3 Capacity Post Retirement

The NCCP Act includes the requirement to ensure borrowers have the ability to meet the obligations of a credit contract without substantial hardship. When the term of a credit contract extends beyond retirement age, the intent is to validate the ability of borrowers to clear all debt against their principal places of residence and preserve sufficient cash flow for reasonable living expenses should they be required to do so.

The following policy guidelines should be used.

Consumer Loans: Assessment must take into consideration a borrower's ability to meet repayments over the whole term of a loan. If changes to circumstances are expected or probable, the approval must be supported by a detailed exit strategy.

An exit strategy should be considered whenever the age of the oldest applicant, or the main income earner, is 63 or greater.

Standard Mortgage Loans: Evidence of an exit strategy is required to confirm the debt can be repaid without hardship when the oldest borrower, or the main income earner, is approaching retirement age (greater than or equal to 50 years of age at the time of the loan application)

The exit strategy should consider the assets available to either payout the loan upon retirement or to continue making repayments after retirement.

Reverse Mortgage Loans: The requirement for an exit strategy is removed for reverse mortgage loans.

4.5 Loan Security (NCCP Act Regulated Facilities)

4.5.1 Security Types

Borrowers are able to pledge a variety of securities in support of loans advanced by Gateway. The following tables summarise common types of securities and corresponding loan types.

Security	Personal Loans	Car Loans	Property Loans
Real Property Mortgage	No	No	Yes
Goods Security Agreement (previously Bill of Sale)	No	Yes	No
Guarantee	Yes	Yes	Yes
Cash Surety* (Deposit Security Agreement)	Yes	Yes	Yes
None	Yes	No	No

* Restricted approval

4.5.1.1 Real Property

Not all forms of security offered by borrowers are acceptable to Gateway. Real estate and other forms of security offered by Members vary in market value and ease of sale. As a result, the value of the assets held as security fluctuates and the risk to Gateway may vary. Accordingly, this risk is managed by classifying properties offered as security according to certain characteristics and applying appropriate Loan to Valuation Ratio (LVR) weightings.

All mortgage securities are to be registered and set up costs including stamp duty are to be borne by the Member unless waiver is approved by an authorised officer.

More information outlining specific security types and restrictions is contained in the credit standards. Note that potential security properties fall into one of four categories:

- **Standard**
  - Satisfies all specified criteria as a suitable security
- **Limited**
  - Satisfies most standard criteria – may be accepted by officers holding sufficient delegation for procedural overrides.
- **Restricted**
  - Satisfies some standard criteria – may be accepted by officers holding sufficient delegation for procedural overrides.
- **Unacceptable**
  - Outside Gateway's Risk Appetite - may be accepted by officers holding sufficient delegation for policy exceptions. Approvals under this level of authority should be rare.

4.5.1.2 Property Location

Suburbs/towns in Australia are sorted into the following categories depending on the perceived equity risks.

- Category 1: Locations are acceptable within standard LVR bands
- Category 2: Locations which have 'medium-high' risk can be considered with reduced LVR
- Category 3: Locations which have 'high' risk can be considered with reduced LVR
- Category 4: Locations which have 'extreme' risk are generally not acceptable.

Classification may factor in additional parameters such as population size and/or property transaction volumes.

The Gateway location list is derived from statistical data provided by PropTrack

Units and houses are considered separately. For the purpose of this policy, a 'house' is typically on Torrens title and can be either freestanding or attached (e.g. townhouse, duplex). All other property types are considered 'units'. If there is any doubt, default to the unit list.

4.5.1.3 Goods Security Agreement

A Goods Security Agreement (previously a Registered Bill of Sale) is to be obtained in support of all car loans (class 323, 324 and 325) provided by Gateway. With the introduction of the *Personal*

Property Securities Act 2009 (Cth) (PPS Act) from 31 January 2012 Gateway's interests are to be registered on the national online register known as the **PPS Register**.

For valuation purposes:

- New Vehicles: Adopt the retail price as shown on the dealer's invoice less stamp duty.
- Used Vehicles: Adopt a value which falls within the Dealer Trade Price range shown on the Veda Auto Finance Report. In most cases, a median value should be used to determine LVR unless there is supporting evidence for a higher or lower value within the range.

4.5.1.4 Guarantees

Guarantees and Co-Borrowers

Gateway will accept support for loan transactions from third parties in certain situations. Most often, this support will be in the form of the third party becoming either a 'co-borrower' or a guarantor.

A co-borrower to a loan is responsible for the repayment of an entire debt along with any other borrowers involved with the loan. The co-borrower is subject to the identical financial and legal obligations as the borrower in the event of missed payments or a default. The lender may sue either borrower (or both) for full payment. Therefore, the servicing capacity of a co-borrower should be assessed in the same manner as a borrower.

Conversely, a guarantor is not liable under the loan at all, except in the event of the borrower defaulting. Should the borrower default, the guarantor will assume full responsibility for paying out the loan to the extent of the guarantor's liability as documented in the guarantee agreement. Note the lender must initially attempt to recover the debt from the borrower (and have confirmed their default) before seeking recourse from the guarantor.

Gateway's requires financial details (including assets, liabilities and income) of all guarantors. However, the inability of a borrower to service a loan in their own right is not mitigated by the financial strength of a guarantor.

The guarantor's financial position must be such that the guarantor will not suffer undue hardship should the guarantee be called upon. Extra care should be taken when the security property in support of a guarantee is the guarantor's primary place of residence. A primary place of residence may be accepted as security where there is adequate equity in the property or the guarantor has other financial assets.

Customer Owned Banking Code of Practice (COBCOP) Requirement: Substantial benefit

Provisions of the COBCOP state that a credit provider must not accept someone as a co-borrower if they are aware, or ought to be aware, that a person will not receive a substantial benefit from the loan. The credit provider must be able to demonstrate a substantial benefit to the co-borrower arising from participation in the loan.

All borrowers must have a beneficial interest in the loan transaction either by way of joint ownership of the security, dependence on the mortgagor in a marital or de facto relationship and/or direct benefit from the transaction. Examples of a direct benefit may include:

- Funds are lent for the purpose of a holiday, which the individual will be taking.
- Discharge of a loan from another bank that was in the individual's name.

- Owner occupied property to be purchased which is to be the principal place of residence of the individual.

It is not acceptable for a person to be joined in a loan simply to provide income support for servicing, or simply to provide added security for another party to purchase a property.

4.5.1.5 Cash Surety

A Deposit Security Agreement may be accepted subject to execution of required documentation and registration on the PPS Register. Generally, cash surety is only accepted as a temporary substitution for real property security as part of a "sale and purchase" transaction where simultaneous settlement cannot be arranged due to timing differences.

4.5.2 Loan to Valuation Ratio (LVR) Limits

4.5.2.1 Overview

The amount that may be lent to a borrower against the value of the asset proposed as security is expressed as the Loan to Valuation Ratio or LVR. The percentage of the valuation that may be advanced against each property varies according to type and location. These limits will also be reviewed at least annually. Whilst specific details are contained in the Lending Procedures Guide, as a general principle standard LVR limits apply as follows:

4.5.2.2 LVR Limit Table

	Standard LVR Parameters	
Security Type	**Max LVR (P&I repayments)**	**Max LVR (Full or partial Interest Only repayments)**
Residential dwelling in a Category 1 Location (Owner Occupied Purchase and Refinance – excluding debt consolidation and equity release) *	95% **including** Capitalised LMI premium	90% **including** Capitalised LMI premium
Residential dwelling in a Category 1 Location (Construction and Investment Property Security or Purpose)	90% **including** Capitalised LMI premium	90% **including** Capitalised LMI premium
Transactions including debt consolidation or equity release	90% **including** Capitalised LMI premium	90% **including** Capitalised LMI premium
Residential Dwelling: High Risk Location (Category 3)	70%	70%
Residential Dwelling: Medium Risk Location (Category 2) *	80%	80%
Vacant Land – Residential <= 2 ha	80%	80%
Residential property (vacant or improved) > 2 ha < = 25ha	60%	60%
Multiple residences (up to four) on one title	70%	70%
Serviced Apartments (approved apartments only)	70%	70%

* For the purpose of this section, loans with Government guarantees under the Home Guarantee Scheme are treated as if the LVR is 80%.

4.5.3 Valuations of Security

Gateway will accept different types of securities in support of certain loan types. Specific instructions relating to security valuations are contained in the credit standard. General principles relating to the security valuation process are outlined below.

4.5.3.1 Acceptable Valuers

Valuations of real estate property shall only be accepted from suitable professionally qualified valuers, who are independent of the borrower and are registered or licensed in the state or territory in which the relevant property is located.

The Valuer must be a Fellow or Associate of the Australian Property Institute (API) and must hold the qualification of Certified Practicing Valuer or Residential Property Valuer.

4.5.3.2 Valuer Panel

To achieve appropriate geographic coverage and levels of expertise, Gateway may use a centralised valuation management service. Typically, these organisations are well placed to maintain and operate a 'panel' of approved valuers. Areas of responsibility would include assurances that panel valuers possess:

- Professional qualifications – evidence required;
- Relevant experience (including local knowledge);
- Breadth of expertise to cover both standard and specialised security assessments; and
- Appropriate professional indemnity insurance cover.

The panel provider also performs performance monitoring, audits and compliance checks to ensure agreed standards are maintained.

Operational accountability for the performance of Gateway's panel of approved valuers rests with the Chief Risk Officer or a suitable delegate. The Risk Governance Division (RGD) maintains ongoing oversight of the performance of the valuation panel through monthly reports issued by the panel provider.

RGD regularly monitors the performance of the valuation policy parameters and proportion of various valuation methods, to ensure risks are appropriately managed. At least annually, RGD validates suitability of alternative valuation models by reviewing the outcomes of model back testing conducted by the panel provider.

4.5.3.3 Residential Valuation Report Methodology

Gateway uses three main methods for valuing real property, Full Valuation (FV), Desktop Review and Automated Valuation Model (AVM). The appropriate valuation method is selected based on business rules documented in the credit standards. The rules are structured in a hierarchical way to ensure EVR and AVM estimations only apply in low-risk and low-LVR cases.

Full valuation reports are supplied within policy requirements in two styles:

- A standard short format report
- A full narrative report.

In all cases, full valuations must be addressed to Gateway and include a clause confirming suitable parties may rely on the report i.e. Gateway, specifically named Lenders Mortgage Insurers and specifically named Trustees e.g. Perpetual Trustee Company Ltd.

Automated Valuation Model

Automated Valuation Model is a statistically based computer program that uses real estate information such as comparable sales, property characteristics and price trends, to provide a current market value. An AVM report provides a written summary of the results.

Desktop Review

A desktop review is prepared by an approved local valuer using market information about the property, combined with analysis of recent comparable sales. The valuation is completed without a physical inspection of the property. Where insufficient information is available on the property, the request is escalated to a full valuation.

Standard Short Format

The short format report is designed to consolidate relevant information whilst providing a 'Visual Highlighting' of the property's negative element (exceptions). Whilst this format has been designed to be compact, it may be expanded to any length via the usage of the 'General Comments' report section. Panel Valuers have no excuse for not supplying comprehensive details of the property/market under review.

Full Narrative Report

Whilst there is no prescribed format for this style of report, it must address the basic requirements of the Australian Institute of Valuers and Land Economists (AIVLE) established standards. A full narrative report may be more appropriate for a property in a higher price range e.g. greater than $3M, as this market segment is generally more volatile and only attracts a limited range of purchasers.

Other Valuation Methods

In certain circumstances, Gateway may accept other forms of documentation such as a notice from a Valuer General (Rates Notice) or a fully executed Contract for Sale. The acceptable circumstances under which this approach may be adopted are outlined in the credit standard.

4.5.3.4 When to obtain a Valuation Report

New Loans or Increases to an existing loan

A valuation should be obtained for all new mortgage loans. Valuations are also required when an increase to an existing loan or an additional advance is requested and an existing security will be relied upon for support.

Authorised delegates may waive this requirement in certain circumstances detailed in the credit standard.

Partial Discharges

Every request for partial release must be reviewed by a duly authorised officer to determine

- whether a valuation of the existing security is required; and
- whether a new credit assessment is necessary.

A new assessment should be conducted if the customer's financial position is materially affected by the transaction and/or Gateway's position is weakened.

A valuation is not required where Gateway is to receive full net proceeds of the sale of security less associated expenses, e.g. solicitors/agents' fees, provided the remaining security is acceptable.

It would be expected that a new valuation will be ordered if there is an increase in LVR from original loan approval as a result of such a transaction.

4.6 Insurance

4.6.1 General Insurance

As a general rule, Gateway requires evidence that any assets pledged as security in support of loans to Members are adequately insured at all times. The two most common forms of insurance are comprehensive motor vehicle insurance (Car Loans secured by a Registered Bill of Sale or Goods Security Agreement over a motor vehicle) and buildings insurance (mortgage loans supported by a registered mortgage over real property).

In the case of developed real estate property securing residential or commercial mortgage loans, Gateway's interest as mortgagee is to be endorsed on the building insurance where possible.

4.6.2 Lenders' Mortgage Insurance (LMI)

4.6.2.1 Requirement for LMI

All residential mortgage loans relying on a Loan to Valuation Ratio (LVR) of greater than 80% will require LMI or a government guarantee.

On occasion, the addition of minor fees such as capitalised Loan Repayment Insurance premiums may result in LVR outcomes greater than 80%. In these instances, LMI is not required where the original base loan has an LVR not exceeding 80%.

The maximum LVR for any residential mortgage loan at origination is 95% (inclusive of the capitalised LMI Premium).

LMI coverage may be required for all transactions within a securitisation tranche in accordance with the provisions of the respective programs. Note that some programs may require indicative letters of insurability from LMI providers which do not constitute formal commitments.

4.6.2.2 LMI Payment Options

Helia has two premium payment options available: upfront and monthly.

With the upfront option, a single premium is payable upfront when the loan is settled. The monthly option requires a monthly payment for the duration of insurance coverage.

The monthly insurance policy payments will continue until one of following occurs:

- the loan is closed; or

- the loan is paid down to 80% LVR or below based on the most recent valuation and scheduled balance; or
- a new valuation is conducted as a result of a Member's request, the valuation is acceptable, and reduces the LVR to 80% or less based on scheduled balance.

4.6.2.3 Providers

Lenders' mortgage insurance providers must be regulated by APRA. Gateway's designated insurers are QBE Lenders' Mortgage Insurance Ltd (QBE LMI) and Helia Group Limited (Helia).

Presently, Helia is considered the preferred supplier. QBE LMI is generally only used by exception when outside of Helia's policy or for securitisation purposes.

4.6.2.4 Portfolio Limits

The portfolio limits for transactions requiring LMI support are equivalent to those contained in our Risk Appetite Statement for all mortgage loans with LVR > 80%.

Concentration limits by provider may also be established by the Risk Committee from time to time and these will be recorded in the Risk Appetite Statement.

4.6.2.5 Hindsight Review

Failure to comply with the credit guidelines of an LMI provider could potentially invalidate the cover provided and accordingly, Gateway should not rely solely on hindsight reviews conducted by the insurer.

Other file review processes such as Internal Audit and Quality Assurance should be testing the application of LMI credit guidelines and any potential discrepancies should be thoroughly investigated and if appropriate, referred to the insurer for confirmation.

Should it become apparent that LMI cover is invalid, the loan account is to be suitably noted to ensure that correct risk weightings are applied for Capital Adequacy calculations.

4.7 Loan Types

The credit standard contains specific product parameters and features. Generally, the types of loans Gateway will provide are limited to:

4.7.1 Consumer Finance: Term Loans

- A maximum term of up to seven years
- Loan repayments on a principal and interest basis
- Variable or Fixed Interest Rate options
- Repayable on demand

4.7.2 Consumer Finance: Overdraft

- Revolving credit facility
- No fixed repayments
- Variable interest rate only
- Repayable on demand

4.7.3 Residential Mortgage Finance: Term Loans

- A maximum term of up to 30 years
- Loan repayments on a principal and interest basis
- Variable or Fixed Interest Rate options
- Repayable on demand
- Secured by first ranking mortgage over suitable residentially zoned security or cash surety

4.7.4 Residential Mortgage Finance: Overdraft

- Revolving credit facility
- No fixed repayments
- Variable interest rate only
- Repayable on demand
- Secured by first ranking mortgage over suitable residentially zoned security or cash surety

4.7.5 Residential Mortgage Finance: Reverse Mortgage Loans

- Revolving credit facility
- No fixed repayments
- Variable interest rate only
- Secured by first ranking mortgage over suitable residentially zoned security

4.7.5 Other Lending Products

The introduction of new products will be subject to approval by the ERCC under advice to the Risk Committee of the Board.

4.8 Commercial Loans

Gateway will, on a selective basis, provide commercial finance secured by a commercial property or a residential property which is commercial in nature (transaction is outside of the NCCP Act). Our policy guideline is to lend to suitable applicants secured by registered first mortgages over non-specialised, investment and/or owner-occupied commercial or residential property that is assessed as readily marketable and/or lettable.

Applicants for commercial loans may be persons, companies or trusts. However, lending which meets the criteria of the NCCP Act must be funded using Gateway's residential lending policy framework.

Whilst commercial structures may be created to avail of these facilities, the ultimate borrowers must be identified via ASIC searches and any other research necessary. Applicants are to be of good character with sound past borrowing history and reasonable personal financial positions based on their personal circumstances.

Wherever practical, a consolidated financial position should be established to include all related persons and corporate entities. As a general rule, Gateway has a preference for lending to small and medium-size businesses with simple structures.

The Board has the discretion to consider and approve commercial loans which are not secured against real property or are outside other terms of this policy.

4.8.1 Purpose and Unacceptable Security Properties

- Loan purpose may be for the purchase of an investment or owner-occupied property, refinance of existing property loans or equity release.
- Equity releases up to a maximum of $100,000, or 25% of the total loan amount (whichever is lesser) can be considered without evidence. Equity release greater than $100,000 requires evidence of usage. Most worthwhile purposes can be considered but excluding working capital, tax liabilities or repayment support for existing commitments.
- Residential and commercial construction and development projects may be considered on limited basis. Minimum presales of 50% is required and minimum deposits of 10% held in a solicitor's trust account. Capital treatment of construction and development loans varies depending on the nature of each loan and should be taken into account when assessing potential exposures. Refer to Commercial Credit Standard for more information.
- Loan purpose must be realistic/feasible, legal and align with Gateway's values and ethical-lending standards.
- DLA Holders should consider whether public disclosure of Gateway's involvement in a transaction would appropriately reflect our brand.
- Property containing an element of specialisation may only be considered if there are substantial mitigating factors
- A loan with a commercial purpose and partly secured by a residential property must be structured as a commercial product.
- Generally unacceptable securities/purposes are:
    - holiday accommodation such as hotels, motels and caravan parks
    - car yards
    - health care related properties such as nursing homes and hospitals
    - service stations
    - abattoirs
    - restaurants, bars and pubs
    - rural properties
    - vacant land (including development sites)
    - childcare centres
    - boarding houses
    - conference centres
    - brothels
    - any other property requiring specialist management, having a configuration which makes it unsuitable for alternate use, or with a restricted market if offered for sale or lease.

4.8.2 Loan Terms

- Loan terms of up to 30 years on P&I basis.
- Loan terms of up to 5 years on I/O basis.
- Variable or fixed rates of interest.

4.8.3 Capacity Assessment

Gateway uses Debt Service Ratio (DSR) for capacity calculations of commercial transactions. DSR is defined as follows:

DSR = Net Operating Income / Debt Service

Where

- Net Operating Income = business operating profit before interest, tax, depreciation and amortisation (adjusted for any allowable addbacks) + net personal income after tax – personal living expenses

- Debt Service = new and existing repayments including interest and principal

The minimum DSR is 1.15.

Debt service of P&I commercial term facilities is calculated on the remaining P&I term and product interest rate plus rate margin.

Interest-only facilities are calculated on P&I over 30 years at the product interest rate plus rate margin.

Interest cover ratio may be used in assessing larger and more complex deals at the discretion of the DLA holder with a minimum interest cover ratio of 1.25 times required.

Interest cover ratio is defined as earnings before interest and taxes (EBIT) divided by total interest expenses.

4.8.4 Securities

4.8.4.1 Valuations

- All requests are to be supported by recent external valuations, by an acceptable valuer, addressed to Gateway and according to our instruction guidelines.
- A review is to be undertaken to confirm that the security property has been designed (and maintained) to appropriate standards for its target market, is well located, is able to attract tenants at market prices on typical lease terms and is capable of being sold at market prices at any point in the property cycle. The review focuses on reasonableness of a valuer’s assumptions, judgements and properties used for comparable purposes.
- Security properties may be revalued if concerns are noted from account conduct or security value perspective. Account conduct is reviewed annually.

4.8.4.2 Loan to Value Ratio (LVR)

Generally, a maximum LVR of 70% will apply. DLA Holders may require a reduced LVR to mitigate additional risk aspects of a transaction or structure.

LVR for construction/development financing is restricted to 65% of cost to complete.

4.8.4.3 Acceptable Location of Security Property

- Capital cities of Australia and their metropolitan areas.
- Major population centres of Australia’s East Coast including recognised regional centres where sustainable economic growth is evident (refer to the Commercial Credit Standard for further information).
- When considering a loan in a location other than a capital city, a metropolitan area or a recognised major regional centre, reduced loan amount or lower LVR may be utilised to mitigate reduced depth of market.

4.8.4.4 General Security Agreements (GSA)

A first ranking GSA may be required over any corporate borrower or guarantor with appropriate registration to be affected in accordance with the PPSR. The GSR will be considered where assets, other than our direct securities, are worth of encumbrance.

4.8.4.5 Guarantees

- Joint and several guarantees are generally required from all shareholders and directors of the borrowing entity and any corporate shareholder of the borrowing entity.
- Joint and several guarantees may be required from other corporate entities controlled by the borrower or any guarantor, particularly if income from those entities is relied upon for servicing.
- Where a guarantor has personal lending facilities with Gateway, the guarantee amount and any assessed reliance is to be recorded as a joint and several liability within CBS.

4.8.4.6 Environmental Risk

- The valuation report will generally confirm the existence or likelihood of environmental contamination.
- Transactions with an elements of environmental risk, such as the existence of underground fuel tanks or asbestos building material, may only be considered where the specific risk is clearly manageable and the borrower will bear the cost, including any contingencies, related to the appointment of professionals to carry out any required works and obtain compliance certification from the relevant authorities (and/or appropriately qualified expert).

4.8.4.7 Non-recourse

- Non-recourse transactions where there is any limitation of liability within the borrowing structure (i.e. incomplete guarantee position), are generally unacceptable.

4.8.5 Hindsight Review

All commercial loans approved at DLA 7 or below are hindsight reviewed by the Commercial Credit Committee but excluding the external Credit Consultant.

4.9 Loan Quality Assurance

The quality assurance (QA) function has been implemented to ensure the credit origination standards are maintained. The QA function has three important purposes:

- It is a hindsight review to ensure policies and procedures are followed.
- Provides learning feedback to the lending services team.
- Highlights opportunities for policy and procedural improvements.

QA reviews are conducted retrospectively based on loans settled within a month. A minimum of 7 files are reviewed or 20% of all settled loans, whichever is greater.

Files are generally selected based on risk parameters. If necessary to make up the minimum requirements, extra files can be selected at random. The selection includes both home loans, consumer loans and reverse mortgages. Each lending specialist should be represented if possible.

Each QA finding is categorised as Minor, Moderate or Major. The definition of the categories is provided in the credit procedure Loan Quality Assurance.

Each file is then rated as follows:

Strong	No more than 5 minor findings. No moderate or major findings.

Satisfactory	No more than 8 findings in total including no more than 4 moderate findings. No major findings.
Needs Improvement	More than 8 findings in total or more than 4 moderate findings. No major findings.
Unsatisfactory	Any number of major findings.

The QA assessor has the discretion to override the scoring system if deemed necessary. For example, if the risk associated with six moderate findings is deemed to present an unacceptable risk to Gateway.

4.9.1 Reporting Line

The QA function is conducted within the Risk Governance Division and is a direct responsibility of the Chief Risk Officer (CRO).

The QA assessor reports directly to the CRO in relation to the QA function. The CRO is responsible for communicating outcomes of the reviews to the Executive Risk & Compliance Committee and the Risk Committee.

Appendix 1 Document & Version Controls

Document Control

Document Sign-Off Approval and Acceptance

Approved By	Date
Risk and Compliance Committee	30 July 2007
HSOPS (Typo correction to 2.4.1.4 – raised by Audit)	4 October 2007
Risk and Compliance Committee	12 February 2008
Risk and Compliance Committee	30 September 2008
Risk and Audit Committee	28 May 2009
Compliance Committee and Risk and Audit Committee	28 May and 8 June 2010
V7 - Compliance Committee and Risk and Audit Committee via round robin	29 July 2010 and 10 August 2010
V 8 - Compliance Committee and Risk and Audit Committee	30 Nov 2010 and via round robin 13 Dec 2010
V9 - Compliance Committee and Risk and Audit Committee	1 April and 5 April 2011
V10 – Compliance Committee and Risk and Audit Committee	1 July 2011 and 12 July 2011
V11 – Compliance Committee and Risk and Audit Committee	2 Sept 2011 and 13 Sept 2011
V12 – Compliance C'tee & Risk & Audit C'tee	28 October 2011 & 29 Nov 2011
V13 – Compliance C'tee & Risk & Audit C'tee	5 March 2012 and 13 March 2012
V14 – Compliance C'tee & Risk & Audit C'tee	23 Oct 2012 & 7 November 2012
V15 – Compliance C'tee & Risk & Audit C'tee	26 March 2013 & 9 April 2013
V16 – Risk & Audit C'tee	10 September 2013
V17 – Compliance C'tee & Risk & Audit C'tee	4 Feb 2014 & 11 Feb 2014
V18 – Compliance Committee and Risk Committee	26th March and 2nd April 2014
2015.2 – Risk Committee	15 April 2015
2015.3 – The Board	23 June 2015
2015.4 – Risk Committee	14 July 2015
2015.5 – Risk Committee	8 September 2015
2015.6 – Risk Committee	8 September 2015
2015.7 – Risk Committee	20 October 2015
2015.8 – Risk Committee	December 2015 by round robin
2016.1 – Risk Committee	16 February 2016
2016.2 – Risk Committee	19 April 2016
2016.3 – Risk Committee	21 June 2016
2016.4 – Risk Committee	August 2016 by round robin
2016.5 – Risk Committee	14 September 2016
2016.6 – Risk Committee	25 October 2016
2016.7 – The Board	13 December 2016
2017.1 – Risk Committee	21 February 2017
2017.2 – Risk Committee	26 April 2017 & 20 June 2017
2018.1 – Risk Committee	24 April 2018
2019.1 – Risk Committee	11 December 2018/19 March 2019
2019.2 – Risk Committee	16 April 2019
2019.3 – Risk Committee	19 June 2019
2019.3.1 – Risk Committee	7 August 2019
2019.3.2 – Risk Committee	16 September 2019
2020.1 – Risk Committee (changes approved but delayed due to Cloudcase implementation)	19 June 2019
2020.2 – Risk Committee	5 May 2020
2020.3 – Risk Committee	22 September 2020
2020.4 – Risk Committee	24 November 2020
2021.1 – Risk Committee	27 January 2021
2021.2 – Risk Committee	18 May 2021

2021.3 – Risk Committee	14 September 2021
2022.1 – Risk Committee	15 March 2022
2022.2 – Risk Committee	19 July 2022
2022.3 – Risk Committee	October 2022 via round robin
2022.4 – Risk Committee	22 November 2022
2022.5 – Risk Committee	December 2022 via round robin
2023.1 – Risk Committee	7 March 2023 via circular resolution
2023.2 – Risk Committee	14 March 2023
2023.3 – Risk Committee	16 May 2023
2023.4 – Risk Committee	12 September 2023
2024.1 – Risk Committee	30 January 2024
2024.2 – Risk Committee	23 July 2024

Version Control

Version Number	Description	Author Change	Date
1	CRM 7C	Gary English	30 July 2007
2	CRM 7C	Gary English	4 October 2007
3	CRM 7C	Gary English	12 February 2008
4	CRM 7C	Gary English	30 September 2008
5	CRM 7C	Gary English	26 May 2009
6	CRM 7C	Gary English	8 June 2010
7	CRM 7C – Policy updated due to the replacement of the CCC with the National Credit Code effective 1/7/10.	Soula Biris	19 July 2010
8	Policy updated to include Responsible Lending obligations effective 1 January 2011; 2.4.2 mentioned the new PPS Register effective from 1 May 2011; Updated various product tables to include redraw availability, deleted ERF on YBR SVR.; Updated App 3 – Delegations.	Soula Biris and Gary English	27 October 2010
9	Various including Capacity Test and Delegation Changes	Gary English	5 April 2011
10	Remove Appx 1A and1B (Products) to separate Lending Product Guide. Update ERA/ERF policy. Add Family Pledge. Introduce new Level 4 delegations at App 2.	Gary English	1 July 2011
11	New section 1.3.3 'Personal Property Securities Act'. 1.3.1 New Note specifying that all loans treated as regulated by the NCC. DLA amendments	Soula Biris Scott Todd	2 Sept 2011
12	CRM 7C Update	Scott Todd	28 October 2011
13	Update 1.3.3, 2.1.3.3, and 2.5.4, Appx 2.1 and 4.1 and 4.3,	Gary English	13 March 2012
14		Scott Todd	23rd October 2012
15		Scott Todd	6th May 2013
16	Policy updated to reflect changes to LVR policy, Servicing Assessment Test, Delegated Lending Authorities and HEM Living Expenses Tables	Scott Todd	12th Sept 2013
17	Re Board Paper 'Credit Risk Parameters' presented to R&A C'tee 10 Dec 2013 & confirmed by Board on 17 Dec 2013 - Relevant sections 1.2.1 & 1.2.5 deleted from this policy & included in CRM 7F Large Asset Exposures Feb 14 : Information within Sections 1.3.4 'MBCoP' (COBCoP) & 1.35 'Privacy' replaced with references	Gary English	17 Dec 2013 4 Feb 2014

	to relevant policy Privacy Program & Privacy Procedures & COBCoP Policy.		
18	Added new section 2.1.10.3 for Gateway Edge, update sections 2.2.2.3, 2.2.3, Appendices sections 2.2, 2.3 and 3.1	Scott Todd	14th February 2014
19	General updates to reflect changes due to introduction of changes relating to Comprehensive Credit Reporting	Scott Todd	26th March 2014
2014.1	Major Revision	Gary English	5/11/2014
2014.2	Minor corrections	Gary English	5 December 2014
2015.1	Amendments: Non std Mortgages & Appx 2 NSR/LVR Matrix	Gary English	28 Jan 2015 & 24 Feb 2015
2015.2	Added 'Maximum Age at Expiry' policy. Updated DLA for this policy to level 5. Changed DLA for 'Paid defaults' overrides to DLA 5.	Jack Czechowski	24 April 2015
2015.3	2.4.4 Overrides - amended 4.3.2 Bridging Finance – new section 4.3.4 Interest Only - policy clarified 4.4.2.3 Qualifying Rate - amended to include a review 4.5.3.2 Valuer Panel - amended to include a review Appendix 2 DLA table - amended to include car loan DLA Appendix 2 Overrides table - redesigned	Jack Czechowski	26 June 2015
2015.4	4.5.1.2 Valuation of motor vehicles updated 4.5.3.4 Partial discharge of security updated	Jack Czechowski	14 July 2015
2015.5	4.5.2.2 LVR matrix updated. Investment lending reduced to 90%.	Jack Czechowski	31 July 2015
2015.6	Appendix 2 – NSR/LVR matrix change, security overrides 4.4.2.3 Interest rate margin review I/O loan serviceability based on P&I	Jack Czechowski	15 September 2015
2015.7	4.5.1.3 guarantor/co-borrower definitions Appendix 2 – Overrides updated	Jack Czechowski	22 October 2015
2015.8	3.2 NSR/LVR matrix updated 4.3.6 Cash out policy updated 4.4.2.2. Living expense benchmark updated Appendix 2 NSR/LVR matrix updated and amended overrides	Jack Czechowski	18 January 2016
2016.1	DLA Table – Consumer NSR adjustment Overrides Table – Net Asset Position Overrides Table – Super and pension income	Jack Czechowski	24 February 2016
2016.2	4.3.6 Cash Out/Equity Release updated Overrides Table – High Density Dwellings	Jack Czechowski	10 May 2016
2016.3	DLA Table notes – capitalised fees excluded from DLA brackets. 2.4.4 & 2.4.5 – Approval, cancellation and review of DLAs	Jack Czechowski	23 June 2016
2016.4	4.4.2.2 Benchmark changed from HEM + 7% of income to 3.5% 4.4.2.3 Added ability to define rate by Risk Committee	Jack Czechowski	10 August 2016
2016.5	4.3.2 Redefined override description and assessment 4.4.3 Redefined override descriptions 4.4.2.3 Change to override definition 4.5.3.1 Acceptable valuer definition 4.5.3.2 Valuer panel review done monthly 4.3.6 Override definition 4.5.1.2 Override removed Appendix 2 added DLA Acceptance Rules Removed Variation percentage from DLA Table	Jack Czechowski	13 September 2016

	Substantial changes to Overrides table		
2016.6	4.3.4 Updated I/O policy setting out maximum terms Appendix 2 Overrides related to the I/O policy	Jack Czechowski	27 October 2016
2016.7	3.2 & Appendix 2 – Updated NSR/LVR matrix. 75-80% LVR bracket changed from yellow to green	Jack Czechowski	15 December 2016
2017.1	4.4.3 – Maximum Age of Borrower at Loan Expiry 4.6.2.3 – LMI providers Appendix 2 – Overrides – exit strategy, valuation risk ratings, EquitiSmart, Family Pledge	Jack Czechowski	Effective 20/3/2017
2017.2	4.5.3.3 – Inclusion of AVM and EVR valuation types 4.8 – Loan Quality Assurance section added	Jack Czechowski	Effective 3/7/2017
2018.1	4.4.2.3 & 4.4.2.4 Qualifying and Floor Rate definitions	Jack Czechowski	Effective 2/7/2018
2018.2	Various minor improvements. Updated Large Exposures section	Jack Czechowski	Effective 11/9/2018
2019.1	4.3.2 Bridging finance assessed at qualifying rate Introduction of location categories: changes to 4.5.1.2 & 4.5.2.2 4.6.2.3 Change to LMI provide acceptance	Jack Czechowski	Effective 15/04/2019
2019.2	Increase to DLA $ limits	Jack Czechowski	Effective 18/04/2019
2019.3	General review and update 2.4.6 introduction of mandatory & discretionary policy elements 3.2 & 4.4.2.1 replacement of NSR with NIS 4.4.3 removal of the 70 years of age rule 4.5.2.2 Consolidation of LVR categories Appendix 2, removal of NSR references, changes to overrides and acceptance rules	Jack Czechowski	
2019.3.1	Interim version. NSR retained until introduction of new origination system. All other changes from 2019.3 implemented.	Jack Czechowski	Effective 26 August 2019
2019.3.2	Change to QA scoring methodology	Jack Czechowski	Effective 16 September 2019
2020.1	Change from NSR to NIS Updated overrides	Jack Czechowski	Effective 2 March 2020
2020.2	Updated throughout to include reverse mortgage products	Jack Czechowski	Effective 11 May 2020
2020.3	Change to HEM benchmark	Jack Czechowski	Effective 2 November 2020
2020.4	Changes to capacity assessment and LVR limits Qualifying rate approval by CRO	Jack Czechowski	Effective 18 December 2020
2021.1	Ethical banking section added	Pari Tamrakar	Effective 1 February 2021
2021.2	Commercial lending Changes to DLA table	Jack Czechowski	Effective 21 May 2021
2021.3	4.3.6 Cash out with no evidence increased to $100,000 4.6.2.3 QBE LMI noted to be used by exception 4.8.1 Clause added to allow flexibility in accepting some construction/development projects on limited basis from Eclipse or similar. 4.8.5.2 LVR for construction/ development finance limited to 65% 4.9 QA updated to monthly reporting Appendix 2 Update to delegation notes to allow Commercial Credit Committee to approve applications outside of standard parameters.	Jack Czechowski	Effective 14 September 2021

2021.4	4.2.3 Non-standard mortgages 4.5.2.2 Added note regarding loans with government guarantees App 2 DLA 6 limit increase and name change App 2 Override corrections and changes	Jack Czechowski	23 November 2021
2022.1	Reverse mortgage minimum age reduced to 60 at 15% LVR Valuer general override introduced	Jack Czechowski	Effective date 15 March 2022
2022.2	FHLDS renamed to Home Guarantee Scheme 4.8.1 amended in relation to cash out and construction finance	Jack Czechowski	Effective 4 August 2022
2022.3	4.8.1 Equity release 4.8.2 Term change to 30 years	Jack Czechowski	Effective November 2022
2022.4	4.2.2/4.2.3 Standard and Non-Standard mortgages 4.4.2.3 Qualifying rate 4.5.1.2 Property locations 4.8 Commercial loans Appendix 2	Jack Czechowski	Effective 22 November 2022 Item 4.4.2.3 effective February 2023
2022.5	4.5.2.2 Maximum LVR lowered for construction loans	Jack Czechowski	Effective 16 December 2022
2023.1	Ethical lending restrictions updated Genworth renamed to Helia	Jack Czechowski	Effective 7 March 2023
2023.2	Commercial mortgage delegation increase	Jack Czechowski	Effective 14 March 2023
2023.3	Re-valuation rules under APS 112	Jack Czechowski	Effective 16 May 2023
2023.4	1.1 Policy references 4.6.2.2 LMI payment options 4.8.4.1 Valuations Increases to dollar DLA limits Changed underwriting permissions Limited and restricted security overrides	Jack Czechowski	Effective 29 September 2023
2024.1	Scheduled review DLA allocated to Cloudcase Commercial hindsight review	Jack Czechowski	Effective 30 January 2024
2024.2	4.3.9 and 4.5.2.2 removed minimum age and LVR references 4.9 removed statement that reverse mortgages are not scored	Jack Czechowski	Effective 23 July 2024

Appendix 2: Lending Authorities

Delegated Lending Authorities Table

Level	Position	Residential Mortgage Loans	Commercial Mortgage Loans	Consumer/ Unsecured	Consumer / Secured	Consumer / Secured (Loan Type 323 & 324) LVR Max %
1	Loans Admin Officer	Nil	Nil	Nil	Nil	N/A
2	Loans Officer	$250,000	Nil	$15,000	$25,000	<=100%
3	Loans Officer	$600,000	Nil	$25,000	$50,000	<=110%
4	Loans Officer	$1,000,000	Nil	$30,000	$60,000	<=120%
4	Cloudcase	Nil	Nil	$30,000	$60,000	<=120%
5	Lending Manager	$1,400,000	Nil	$40,000	$75,000	<=130%
6	Lending Manager	$1,650,000	Nil	$50,000	$85,000	<=140%
7	Risk Executive	$2,000,000	$1,250,000	$75,000	$100,000	>140%
8	Senior Risk Executive	$2,500,000	$1,250,000	$125,000	$175,000	>140%
8	Commercial Credit Committee	May include residential / consumer facilities up to an aggregate of $3.5m.	$7,500,000	$125,000	$175,000	>140%
9	R/E or S/R/E + Director	> $2,500,000		> $125,000	> $175,000	>140%
10	Board Majority	> $2,500,000	>$7,500,000 (see note)	> $125,000	> $175,000	>140%

Level	Underwriting permissions
2	• Consumer loans only • Personal borrowers • PAYG employment
3	• Consumer and mortgage loans but excluding reverse mortgage loans • Personal borrowers • PAYG employment • Standard security only
4	• Consumer and mortgage loans including reverse mortgage loans • Personal and trust borrowers • PAYG and self-employed • Standard and limited security • EVR 401-700/AVM FSD 16%-20% • Maximum of one (2) override per file
5	• Consumer and mortgage loans including reverse mortgage loans • Personal and trust borrowers • PAYG and self-employed • Standard, limited and restricted security • EVR risk score above 700 • AVM FSD above 20% • Approval of EquitiSmart limits above $50k non-investment purpose and $250k for investment • Accept cash surety

	• Second mortgage applications • Maximum of two (3) overrides per file
6 and above	• As per DLA 5 plus • Approve any number of overrides per file
Commercial Credit Committee	• Accept construction and development project

Notes

- Authorities below DLA 8 are personal and not positional.
- Senior Risk Executive is defined as either Chief Executive Officer or Chief Financial Officer in the absence of the Chief Executive Officer.
- Commercial Credit Committee is composed of the Chief Executive Officer, Chief Risk Officer, Head of Customer Operations, Senior Manager Credit and Operational Risk and an external credit consultant. Approval requires a unanimous decision.
- Approval of the credit consultant rests with the Risk Committee.
- The Commercial Credit Committee can consider and approve residential / consumer loans only in conjunction with commercial lending.
- All DLA 7 and DLA 8 commercial credit approvals are disclosed to the Risk Committee in the CRO’s report.
- DLA 8 is assigned to Senior Risk Executive for residential approvals and to Commercial Credit Committee for commercial or commercial/residential deals.
- DLA 10 for commercial transactions is delegated to the Board Lending Subcommittee. Refer to Policy BCG 13 Board Lending sub-Committee Charter for more details.
- Note that discretionary authority to disallow approved credit transactions will rest with the Chief Risk Officer and/or Chair of the Board Risk Committee. Should this discretion be exercised, the circumstances are to be immediately reported to the Board.
- A separate Delegations Register maintained by the Chief Risk Officer (or a delegate) will confirm authorities of individuals holding these positions. This will include written acknowledgment by all authorised officers accepting their delegation
- Policy elements which are defined as *Mandatory* may be approved by exception by a DLA 9 or higher. The Commercial Credit Committee also has discretion to approve Mandatory elements in relation to commercial applications within its delegated authority. Any such overrides are to be reported at a Board or Risk Committee meeting, whichever is earlier.
- Consumer Unsecured’ refers to Personal Loan, Edge Overdraft and Car Loan type 325 facilities
- ‘Consumer Secured’ refers to Car Loan type 323 and 324 facilities
- Separate i.e. exclusive, limits apply for consumer loans (P/L, Car, OD). For example, DLA 5 could approve P/L $40,000 on top of existing secured exposure of $1,000,000.
- Capitalised Gateway fees are excluded from consideration when applying DLA loan limits. For example, a $30,000 personal loan with a capitalised $149 Establishment Fee can be approved by a DLA 4.
- Changes to Delegations at or below Level 7 may be implemented by the CRO or Senior Risk Executive (i.e. CEO/CFO) in the absence of the CRO, under advice to the Risk Committee.
- Approval of Loans to Gateway Staff, Directors, former staff or other parties referred to in CRM 7C 4.2 and the credit standard, Section 1.2 is restricted as follows:

Entity	DLA
Loans to Directors and their associates	10
Loans to current senior executive staff and immediate families	9
Loans to current general staff and immediate families	8

Loans to ex-Gateway directors and staff (<3 years)	6

Credit Decisions: Override Authorities

APRA’s Prudential Practice Guide APG 223 defines an ‘override’ occurring when a residential mortgage loan is approved outside an ADI’s loan serviceability criteria or other lending policy parameters or guidelines’ This definition may also be extended to consumer and commercial loans.

Generally, loan applications exhibiting characteristics that may be considered to increase inherent risk levels above the usual expectations will require escalation to a higher level of authority.

Gateway monitors the frequency of such transactions i.e. those considered to be outside standard or normal guidelines. Specific limits are articulated within the Credit Risk section of Gateway’s Risk Appetite Statement and performance against these metrics will be periodically reported to the Board via the Risk Committee.

Approval of transactions requiring ‘override’ authority must clearly document the elements of the transaction warranting override consideration and mitigants proposed in support of any recommendation.

Where the frequency of ‘overrides’ in a specific category exceeds or is considered likely to exceed a risk appetite tolerance expressed by the Board, senior management are required to identify appropriate remedial action under immediate advice to the Risk Committee.

Requirements to consider matters under ‘override’ authorities are contained across a range of Credit Risk Management policy and Credit Standard instructions.

Override Authorities

The following table lists those guidelines where transactions deemed outside standard parameters may be considered for approval by personnel holding the designated authority.

Affordability	Delegation Level	Residential Reference	Commercial Reference
Capacity post retirement	5	Credit standard 8.1.4	
Servicing assessment test – NIS below minimum but no less than $0	5	Credit Standard 8.1.1	
Servicing assessment test – NIS below $0 or DIR above 6.5	7	Credit Standard 8.1.1	
Servicing assessment test – DSR below minimum but no less than 1	5		Credit standard 7.1.1
Servicing assessment test – DSR below 1	7		Credit standard 7.1.1
Income & Employment			
Confirmation of PAYG employment	4	Credit standard 8.2.1 Credit standard 8.2.6 Credit standard 8.2.7	Credit standard 7.2.1 Credit standard 7.2.5 Credit standard 7.2.6
Minimum employment tenure/probation	4	Credit standard 8.2.2	Credit standard 7.2.2
Accept Non-Standard Income	7	Credit standard 8.2.21	Credit standard 7.2.14

Borrowing entity	5		Credit standard 7.2.12
Servicing support parameters	7		Credit standard 7.2.13
Expenses			
Waive notional rent	5	Credit standard 8.3.2	
Apportion joint commitments outside of standard parameters	6	Credit standard 8.3.3	Credit standard 7.3.2
Verification of Information			
Waive/modify supporting document requirements	4	Credit standard 9	Credit standard 8

Eligibility	**Delegation Level**	**Residential Reference**	**Commercial Reference**
Unacceptable entities	7	Credit standard 4.7	Credit standard 3.7
Non-residents	7	Credit standard 4.8, 4.9 & 4.11	Credit standard 3.8 & 3.10

Credit History	**Delegation Level**	**Residential Reference**	**Commercial Reference**
Waive updated Credit Report	7	Credit standard 5.1	Credit standard 4.1
Paid defaults > $1000	5	Credit standard 5.5	Credit standard 4.5
Writs, summons, judgments, bankruptcy	7	Credit standard 5.5	Credit standard 4.5
Hardship arrangements	7	Credit standard 5.5	Credit standard 4.5
Conduct of existing accounts	5	Credit standard 5.6	Credit standard 4.6
Reverse mortgage loans	7	Credit standard 5.7	
Guarantees	7	Credit standard 5.8	

Loan Types & Purpose	**Delegation Level**	**Residential Reference**	**Commercial Reference**
Purpose	7		Credit standard 5.1, 5.2
Cash out/equity release	5	Credit standard 6.1	Credit Standard 5.4
Commercial/business purpose	7	Credit standard 6.3	
Bridging	7	Credit standard 6.4	
Reverse mortgage loans	7	Credit standard 6.5	
Substantial benefit	7	Credit standard 6.9	
Interest only	6	Credit standard 7.3 & 7.4	
Secured LOC	5	Credit standard 7.5	
Commercial loans	7	Credit standard 7.6	
Business loans	7	Credit standard 7.7	
Owner builder	7	Credit standard 7.9	

Security & Insurance Overrides	**Delegation Level**	**Reference**	**Commercial Reference**

Building insurance	4	Credit standard 12.3	Credit standard 11.1
Valuations containing one or more risk rating ‘5’	5	Credit standard 11.6	
EVR/AVM valuation	5	Credit standard 11.7 & 11.8	
Valuation method	5	Credit standard 11.3	
Acceptance of existing valuation	5	Credit standard 11.4 & 11.14	Credit standard 10.3
Override valuer general parameters	6	Credit standard 11.9	
Contract of sale	5	Credit standard 11.10	
Partial discharge	5	Credit standard 11.5	Credit standard 10.4
Accept valuation amount which is higher than purchase price	7	Credit standard 10.9	Credit standard 9.5
Exceed Tolerance for Maximum LVR	7	Credit standard 11.1	Credit standard 10.1
Property locations	7	Credit standard 10.12	
Unacceptable security	7	Credit standard 10.5	Credit standard 9.1 & 9.2
Commercial property location	7		Credit standard 9.6 & 9.7
Environmental risks	7		Credit standard 9.3