



AFG Home Loans Retro Residential Lending Guidelines

AFG
HOME LOANS
RETRO

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Introduction

AFG Securities guidelines have been developed to be a guide in writing mortgage loans with a risk profile consistent with that expected of AAA rated mortgage loan securities and industry best practice.

All loans may be considered on their individual merits; however, they will be required to fit the appropriate Lender Mortgage Insurer's policy rules where applicable.

Acceptable Loan Purposes

AFG Home Loans will consider a loan for any worthwhile purpose inclusive of:

- Purchase/Construct residential property.
- Re-finance of existing residential property loans.
- Personal debt consolidation (no more than 3 unsecured debts can be refinanced).
- Acquisition of shares / investments.
- Home renovations.
- Pay out Tax Debt
- Equity Release – some exclusions are set out in the Equity Release/Cash Out policy.
- All other purposes related to consumer goods and services; including travel; household/personal goods; motor vehicles as approved by AFG Securities and LMI.
- Refinancing existing business loans will be considered on a case by case basis, based on the strength of the applicant/s and loan to valuation ratio. Under normal conditions refinancing business debt will be considered under Link Lending Guidelines

Evidence to support the purpose should be supplied with the application, and all loans are subject to individual LMI requirements

The loan application must provide full details of the loan purpose to enable the determination of the loan's compliance with the National Consumer Credit.

Acceptable loan purposes must be read in conjunction with the product matrix

Excluded Loan Purposes

- Use of funds advanced under this program for any form of insurance including Consumer Credit and General Insurances. LMI insurance is exempted.
- Loans that are for working capital of business trading.
- Loans to a trading business entity.
- Loans for the repayment of tax related debt (will be considered under Link Product)
- Loans for any unlawful purpose

Any other reason deemed unacceptable by AFG Securities from time to time.

Eligible Applicants

Borrower Residency

Borrowers, mortgagors, and guarantors must be one of the following AND reside in Australia.

1. Australian Citizen
2. Australian Permanent Resident (or on acceptable visa)
3. Over the age of 18

Note: Individuals who hold a Partner/Spousal Resident Visa (e.g., Subclass 309, 820) are permitted, on the basis that a joint application is submitted with one of the above defined eligible borrowers.

Corporate Entities

1. Registered Australian companies and subject to taxation;
2. Trustee companies acting on behalf of trusts;

For company applicants:

1. All directors/Trustees/Partners must reside in Australia citizens/Permanent residents AND reside in Australia;
2. Companies must not be in the process of deregistration, winding up or voluntary administration.

Acceptable Residential Properties

All loans must be secured by a mortgage that constitutes a first ranking charge over freehold land or Crown Leasehold land. Where a loan is secured by a mortgage over Crown Lease in Australia, the Crown Lease must not expire earlier than the maturity date of the loan.

Acceptable properties are subject to the criteria as listed below, and any additional Lenders Mortgage insurance requirements (if applicable). AFG Home Loans, at its sole discretion, reserves the right to reject or reduce exposure to any property or location submitted for consideration.

Properties must be zoned Residential or equivalent providing it:

- Has capacity to be used for residential purposes
- Can be marketed and sold as residential property within a normal time frame
- Is 50 square metres or greater (excluding balconies and car parking.)
- Maximum number of dwellings on 1 title must not exceed 2.

Examples of equivalent can include, but not limited to:

- Mixed Use Zoning
- Residential properties where rezoning has not occurred
- Commercial zoned properties above a shop where the residence is on a separately issued title
- Multi-story apartment complexes with shopping centres below and the residence is on a separately issued title

Security prone to natural disaster	<p>The most common natural disaster affecting residential property is flooding.</p> <ul style="list-style-type: none"> Where a property is deemed to be flood prone then a determination of the regularity of flooding must be ascertained (this can be achieved by referring to the valuation report and local authority records). Where the regularity is equal to or less than 1:50 years (between 2% [50 yrs.] & 1% [100 yrs.] AEP) then normal lending delegation requirements will prevail, however approval must be subject to evidence of flood insurance being received prior to settlement. If the property is deemed to be subject to flooding between every 1 to 50 years (greater than 2% AEP) then the loan must be referred to Credit Committee on an exception basis prior to the loan proceeding (Valuation and local authority details relating to the risk of flooding must be obtained prior to the submitting to Credit Committee along with an overview of all other loan details. All aspects of the loan and security will then be reviewed to ascertain the risk and that the appropriate mitigates are in place prior to making a decision (as a minimum requirement evidence of flood insurance being received prior to settlement will be essential).
Units/flats/apartments	<ul style="list-style-type: none"> Each must comprise an area of at least 50 square metres (excludes balconies and car parking) Unit Purchases will generally be limited to a maximum 2 units or 25% of a development whichever is the lesser. This is subject to the geographical location and LMI approval.
Serviced Apartments	<p>A serviced apartment is an apartment that is approved and used for holiday and short-term accommodation. (generally, less than three months). Typically, serviced apartments are centrally managed and serviced and subject to a management agreement.</p> <p>In certain circumstances, serviced apartments can be considered normal 'residential apartments' with a copy of the management agreement required to be provided to consider the serviced apartment as Acceptable Residential Security.</p> <p>For Serviced Apartments to be treated as Acceptable Residential Security all of the following criteria are to be met:</p> <ul style="list-style-type: none"> They are legally permitted for permanent residential use based on the zoning and planning regulations of the property. They can be removed from the management agreement at any time and within a maximum of four months. Any applicant is not the principal, a director, or a shareholder of the company operating the management agreement. AFG Home Loans can deal with the property in the normal residential property market, separate from the operation of the overall development in which the property is located. <p>If the above criteria are not met the Serviced Apartment cannot be treated as Acceptable Residential Security.</p>
Inner City and Restricted Postcodes	<p>Further restrictions apply to new lending promotional/specials and Retro Lite products.</p>

Unacceptable Residential Security Properties

The following are considered unacceptable residential security and cannot be waived by any DLA holder, with the exception where prescribed property/security criteria are met, as per Acceptable Residential Security Properties.

- Studio Apartments or bed-sitters (no separate bedroom)
- Serviced apartments (management contracts) & Timeshare
- Leasehold strata titles & Company Titles
- Display Homes/transportable homes
- Owner-builder construction projects.
- Retirement Homes and Villages
- Dual key properties
- Income producing properties (such as farms, backpacker hostels, boarding-houses, animal boarding or kennels).
- Properties not connected to services such as water and power (except in clearly recognised urban areas)
- Properties with no sealed road access.
- Properties with area more than 10 hectares
- Properties with restrictive usage
- Properties or locations identified by AFG Securities from time to time and deemed unacceptable
- Properties not in a good state of repair

Geographic Location

Acceptable prime lending security properties must be situated in category 1 or 2 location, as classified by the Security Location Guide - Australia (regardless of whether LMI is applicable to the loan or whether QBE or Genworth LMI services are engaged).

All properties outside of these requirements may still be considered on an exception basis

Inner City and Restricted Postcodes

	NSW	VIC	QLD	SA	WA	NT	TAS
Inner City	2000 - 2008, 2017, 2019, 2077, 2112 - 2114, 2138, 2141 - 2142, 2144, 2148, 2150, 2154, 2170, 2193, 2200, 2205, 2216	3000 - 3010, 3030, 3067, 3141, 3181, 3205	4000 - 4006, 4009 - 4010, 4101, 4169, 4215 - 4218, 4870, 4879	5000-5005	6000 - 6005 6018, 6107, 6210, 6721, 6722	0800	7000-7003
Restricted			4740 4700		6530		

Lenders Mortgage Insurance (LMI)

Any loan greater than 80% LVR (subject to security location) must carry 100% Lenders Mortgage Insurance (LMI) as provided by a Lenders Mortgage Insurer nominated at the sole discretion of AFG Home Loans. Lenders mortgage insurance companies approved by AFG Home Loans are Genworth Financial Mortgage Insurance Pty Ltd (Genworth) and QBE LMI Mortgage Insurance Limited (QBE).

LMI and LMI approval is required for loans where the LVR is 70%-80%, when the security property is located outside of Cat 1 location, within an Inner-City Postcode and within a Restricted Postcode location.

The borrower is required to pay the LMI premium where the LVR is >80%.

AFG Home Loans will allow the LMI premium to be capitalised to the loan facility subject to:

1. The total loan facility (including the capitalised LMI premium) amount must not exceed the applicable LVR Limit;
AND
2. The total loan facility (including the capitalised LMI premium) amount must not exceed the applicable maximum loan amount.

Loan serviceability will be calculated on the total loan facility (including the capitalised LMI premium). The AFG Home Loans and relevant Lenders Mortgage Insurer Serviceability Calculator must have a positive cash flow test result.

The borrower's notional repayment will be calculated on the total loan facility (including the capitalised LMI premium).

The total loan facility (including the capitalised LMI premium) must be repaid by the set maturity date.

Minimum Employment Periods

For income to be utilised in AFG Home Loan's serviceability assessment, applicants must meet the minimum employment periods outlined below:

Employment Type	Minimum Employment Period
Salary PAYG (Full Time and Part Time)	No minimum employment terms. Applicant must not be in probation period.
Probationary Employment	Exceptions may be considered dependant on length of time in industry with a minimum of 2 years.
Casual or Contract Employment	Minimum 6 months employment history with 2 years in same industry.
Self-Employed	2 years trading in the current business.
Bonus Payments	12 months in current employment.
Overtime	12 months in current employment.
Commissions Income	6 months in current employment.
Second Job	Minimum of 12 months continuous employment.
Employee Allowances	12 months in current employment.

Income Requirements and Verification

In accordance with your Responsible Lending obligations under the NCCP, you must verify all financial information provided.

Salary (PAYG) (Full Time and Part Time)

Two of the three most recent* computer generated payslips. The payslip should also contain at least:

- Employer Name and ABN
- Pay Period
- Net pay (the period and YTD)
- Superannuation paid (the period and YTD)
- Employee Name
- Gross pay (the period and YTD)
- Tax paid (the period and YTD)

OR

Three months bank statements or transaction listings from a financial institution, no older than 60 days as at the application submission date, showing two employment income credits.

**most recent must not be more than 60 days old as at application submission date.*

Additional Requirements – A company or business search must be undertaken and attached to the customers file, for all employers not listed on the Australian Stock Exchange and Government Departments. This may be performed via [ABN Lookup](#).

AFG Home Loans at its discretion, reserves the right to undertake verbal employment verification if deemed necessary.

Overtime

Must be confirmed as being:

- within the nature of the applicant's employment
- regular, **AND**
- has been received for a minimum of the most recent 6 months

Overtime payments must be verified by:

- Payslip YTD representative of minimum 6 months; OR
- Where payslip YTD reports a figure less than 6 month, obtain Payslips, PAYG Payment Summary, Personal Tax Return for the last financial year or a signed contract of employment or letter of offer that specifies regular overtime as a condition of employment.

Allowances

Allowances which are received regularly and are not temporary or seasonal may be included as PAYG income.

Types of allowances may be included in PAYG income can include (but not limited to):

- Shift
- Uniform
- Laundry
- Height
- Meal
- Site
- Grooming

Recurring would typically be validated via allowance income values being evident in 2 consecutive payslips.

Salary Sacrifice

Where an employee voluntarily sacrifices a portion of their salary, 100% of the sacrifice may be taken into account. The amount of the sacrifice will need to be confirmed by the employer' in writing or by telephone as voluntary and not compulsory.

Parental Leave

100% of the lesser of the Employer Maternity Leave Payment / Government Paid Parental Leave Payment (Working Parent Payment) and applicant return to work income. Income must be currently being paid and continue until the applicant returns to work (return to work date and income confirmation letter from the employer required). Consideration may be given on a case by case basis to circumstances where a gap between maternity leave payments and the return to work date can be mitigated using proven savings to cover the shortfall.

Casual or Contract Employment

- Payslip not more than 30 days old as at submission date, reporting greater than 6 months TYD figure; OR
- Where payslip YTD reports less than 6 months, Payslips, PAYG Payment Summary or Personal Tax Return for the last financial year; OR
- Six months bank statements or transaction listing from a financial institution, no older than 30 days as at the applications submission date, showing regular employment income credits.

When entering income into the serviceability calculator, you must:

- Calculate and input the average monthly casual or contract payments received for a minimum of the most recent 3-month period; AND
- Document how you calculated the average month Casual or PAYG Contract income.

Bonus Payments

A minimum of 12 months in the same position or 2 years industry experience is required to consider bonus income.

- Acceptable providing received for the most recent two financial years, with the lesser of:
 - Average bonus payment received over the most recent two financial years; OR
 - The most recent year bonus.
- Bonus payments must have been received for the most recent two financial years and verified by any combination of:
 - Bank statements and transaction listings that evident receipt of the bonus payments for the most recent two financial years (Note: only the pages evidencing the payments are required, not the full two-year period); OR
 - Using payslip with details of bonus payments received; OR
 - Payment summaries or reward statements issued by the employer or tax returns from the two most recent financial years which evidences total income above the customers calculated base salary; OR
 - Signed letter from the employer detailing the bonus payment amounts paid over the most recent two financial years.

Commissions

- Commission must be evidenced via electronic payslips, letter from employer or evidenced on group certificate/ tax returns.
- A minimum of 6 months in the same position and 3 years industry experience is required to consider commission income.

Investment Income (Interest and Dividends)

- 100% of income disclosed in tax returns and income level to be evidenced over a two-year period (must supply evidence of the investment has not changed since the income derived on the tax returns).

Self Employed (Personal, Partnership, Company, Trust)

Self Employed customers are defined as:

- Sole traders or "proprietors"
- Traders as part of a business partnership
- Company directors who also own shares in the company:

Either personally or in the name of spouse/defacto; OR

Through a company or company/trust structure (i.e. a self-employed business operated through a company structure)

- Trust Beneficiary (i.e. Unit Trust)
- Discretionary Trust (i.e. Trustees and/or beneficiaries of a trust)
- Note: if a company within the group is not included in the flow of funds from business source to customer (for income or debt-servicing), financial statements are not required for this entity.

For Self Employed customers where LVR is $\leq 80\%$ we require:

- Applicable personal, partnership, trust and/or company taxation returns and financial statements for the most recent financial year, together with the most recent Australian Tax Office Assessment Notices: OR
- The most recent financial years Accountant Prepared (Reviewed or Compiled) or Audited balance sheet and profit and loss statements showing 2 trading years.

For Self Employed customers where LVR is $> 80\%$ we require:

- Applicable personal, partnership, trust and/or company taxation and financial statements returns for the last two financial years, together with the most recent Australian Tax Office Assessment Notices: OR
- The most recent financial years Accountant Prepared (Reviewed or Compiled) or Audited balance sheet and profit and loss statements showing 2 trading years.

Taxation Returns

Where taxation returns are provided, the most recent Tax return must be validated against:

- ATO Assessment Notice (which may include Notice of Assessment for individuals, ATO Portal-Itemised Account (Income tax Account) for Companies: OR
- Evidence of the ATO lodgement Notification where an ATO Assessment Notice is yet to be obtained.

Serviceability Assessment

- Servicing assessment based on most recent year financial figures capped at 200% of previous year's earnings.
- LMI servicing rules to remain

Acceptable Add Backs:

- Director's income/salaries (where not already included in calculations)
- Director's superannuation where amount is greater than current Government requirements:
- Interest on any loan facility being refinanced as part of the application:
- Non-recurring expenses:
- Depreciation, to a maximum value of 20% of the associated financial statement net profit as taxed item.

Note: A letter from Accountant certifying accounts may also be required. Depreciation expenses are an acceptable add back however AFGS at its discretion may reduce or deem depreciation amount unacceptable, AFGS may request further information on the depreciation expense such as requesting the provision of a depreciation schedule. Prudent lending standards as well as common sense should determine if depreciation is appropriate or should be reduced.

To confirm the ABN/GST registration and Accountant details a copy of the below searches are required to be placed on file:

Accountant Details – www.tbd.gov.au

ABN & GST Registration – www.abr.business.gov.au

Self-Certified (Retro Lite)

Self-Certified customers are defined as self-employed borrowers who are unable to provide financial statements or taxation returns at the time of their application for a loan and have a registered accountant listed on the government Tax Practitioner Board web site.

A current ABN is to be provided to confirm self-employment for a minimum 2-year period and evidence of GST registration (except where they are exempt from GST).

All self-certified loans must be accompanied by a completed Low Doc Declaration signed by all borrowers/directors, with supporting income verification as outlined below:

For Self-Certified customers we require:

ABN registered for 2 years and any one of the following:

- Last 6 months ATO portal lodged BAS statements for each entity.
- Last 6 Months business trading account bank statements for all accounts.
- Accountant signed and completed declaration acknowledging the income declared by the borrower/ guarantors – declaring that the loan amount applied for is within the applicant's ability and capacity to meet their repayments.

Where rental income or any PAYG incomes are declared as part of a Self-Certified application, standard verification of this income is required.

You must ensure that you make reasonable enquires of the Self-Certified applicant and verify the financial information obtained to comply with your responsible lending obligations.

Rental Income

The rental income used in the credit assessment must be the lower of:

- The rental income amount based on provision of the following documentation; OR
- 5% of the market value of the property (residential property only)
- Market appraisal contained in sworn valuation

New Property Purchase:

- Copy of executed lease agreement; OR
- Market appraisal contained in a sworn valuation dated within 30 days of the application submission date: OR
- Market appraisal from a registered real estate agent dated within 30 days of the application submission.

Lease agreements and sworn valuations must confirm the property owner, address of the property, frequency and amount of rental income or prospective rental income.

Market appraisals from a registered real estate agent must be on the agent's letterhead and state the property address.

Existing Property:

- Copy of the current executed lease agreement
- Copy of rental receipt issued by the real estate agent that is not more than 60 days old showing 4 weeks of rental payments. The rental receipt must be issued on a real estate agent's letterhead and detail the property owners and address; OR
- Bank Statements or transaction listings no older than 60 days showing at least 2 direct credits. In all cases the credit must either display the property address or real estate agent name in the narrative.

Note:

- Where it is known there is a private rental agreement in place, rental income must be demonstrated over a minimum of two-month period, regardless of frequency of the payments;
- For existing Rental where direct credits are known to include expenses discounted prior to payment being made, a secondary acceptable verification document which states gross payment may be utilised for debt servicing assessment purposes.

Australian Government Benefits

The Australian Government regularly makes changes to eligibility criteria for Government payments, when assessing an application, you need to consider:

- Each customer individual circumstances and overall strength of their application (including assets, liabilities and, consistency and reliability of all income including government payments)
- Impacts that the proposed transaction may have on their government payment (particularly in relation income and asset testing)
- The intended duration of the payment and its availability to rely on for the term of the loan; and
- Our responsible lending obligation to ensure that the loan is not unsuitable.

Income can be considered when:

1. Is regular and consistent amounts: AND
2. Has been received for a minimum of the most recent six months: AND
3. It can be verified in accordance with the below verification documents:
 - Bank statements showing 6 months of consecutive income credits or:
 - A letter or statement from the government authority making the payment that is no older than 30 days as at the application submission date, detailing the customer's name and the income amounts received over the past six months.
 - Does not exceed 50% of income used for servicing purposes.

Assessors must:

- Calculate and input the average monthly government allowance received for a minimum of the most recent six-month period: AND
- Document how they have calculated the average monthly government allowance.

Pension Type	Debt Servicing Assessment
<ul style="list-style-type: none"> Aged Pension Veteran Affairs Pension Disability Pensions – Exempt from asset/income test Widow Pensions Supplement Payments (related to pensions above) 	Eligible
<ul style="list-style-type: none"> All other Disability Pension Sickness Allowance Carers Payment Foster Care Payments Parenting Payment 	Applicants inclusive of these payments may be considered when assessing the customers individual circumstance due to the eligibility requirements set out in policy.
<ul style="list-style-type: none"> Newstart Austudy 	Not acceptable for servicing purposes
<ul style="list-style-type: none"> Family Tax A and B 	100% Family assistance payment for dependent children regardless of age - Part A & Part B of parenting will be used (rental, sickness and pharmaceutical allowances are not acceptable)

Child Support or Maintenance

- Child must be less than 13 and payments must be confirmed for a minimum of 5 years.
- All payments must be registered with the Child Support Agency (CSA) & confirmed in writing via the CSA (Current years CSA Notice must be supplied).
- A minimum of 6 months bank statements (must be the 6 months immediately prior to the loan application) evidencing that all payments have been made.

Company Car

- Up to \$5,000 p.a. added to gross income.
- Car Allowance - 100% against corresponding car loan repayments or added to gross taxable income.

Superannuation Income (Drawing on income NOT on capital)

Acceptable providing:

- It is from Guaranteed Superannuation Income Scheme, Guaranteed Annuity Income Scheme, Defined Benefit Income Scheme, or Defined Benefit Scheme: and
- The customer is presently drawing income from their superannuation fund scheme at the time of application.
- Verified via a letter from employer detailing salary packaging or Statement of superannuation benefit.

Income Exclusions

The following income sources are specifically excluded for serviceability purposes:

- Unemployment Benefits
- Income from boarders, tenants or dependants residing in the same property as the applicant, unless it is declared on the borrower's taxation return or evidenced by formal residential tenancy agreement.

Borrowers Equity / Genuine Savings

Genuine Savings Products

Loans where LVR exceeds 90% will require proof of savings history or existing equity to comply with the product requirements.

Savings records for a period of three (3) months immediately preceding the date of application are required (Bank issued statements must be supplied or alternatively internet banking statements where the borrowers name, account number and the bank logo are evident with itemised transactions with a running account balance). Savings records are to be no more than 45 days old at time of conditional approval, with a further 45-day period from conditional to formal approval being acceptable before updated statements are required. If updated savings records are required, they must be no more than 45 days old at time of formal approval.

Ensure that genuine equity is proven, and savings are genuine and not borrowed or gifted

A minimum requirement of 5% equity must be derived from genuine savings, not obtained from borrowings or gifts.

Evidence of funds to Complete

Source of funds to complete the transaction must be clearly identified on the application and evidenced by way of bank statements and/or security deposit receipts etc.

Gifted Funds

Where the equity contribution includes gifted funds, the relationship between the provider and the borrower and whether the gift is repayable must be disclosed by way of statutory declaration. Where the gift is repayable, the terms of repayment must be advised and included in servicing calculations.

Refinancing of Existing Debt

Loans to refinance existing facilities are acceptable; however, the conduct of the credit facility being refinanced must be carried out and reviewed in line with the product criteria.

Refinanced Loan (excluding credit cards)

- For all home loans (and other term loans) and personal lending copies of bank issued account statements (alternatively internet banking statements where the borrowers name, account number and the bank logo are evident, and transactions are itemised, along with a running account balance) covering the last 6 months repayments will be required when the refinancing of a prime loan, and 12 months repayments when refinancing non-prime loans.

Refinanced Credit Cards

- All credit cards being refinanced require only the last 3 months statements. Statements are to be no more than 45 days old at time of conditional approval, with a further 45-day period from conditional to formal approval being acceptable before updated statements are required. If updated statements are required, they must be no more than 45 days old at time of formal approval.

Serviceability Requirements

- When capturing customer expenses, you must validate that general living and entertainment expenses provided by the customer are realistic. If the customer advises that expenses are less than HEM you must make further inquiry to ensure customer/s declared living expenses are consistent with the customer/s circumstances and representative of their actual living expenses. The customer's response must be recorded.
- All applications must include a completed Living Expense worksheet.
- A minimum of \$650 Board or Rental Expense per month must be included where the customer will be living at home/boarding (including with non-spousal family/friends).
- You must use the AFG Home Loans Serviceability Calculator to undertake a preliminary assessment of the borrower's loan serviceability.
- All new and existing (excluding debt/s to be paid out or refinanced) home loans are qualified using repayment based on:
 - For Principal and Interest (P&I) loans- the Qualifying Rate on a P&I basis over the contracted loan term;
 - For Interest Only (IO) loans – the Qualifying Rate on a P&I basis over the P&I term at the expiry of the IO term (i.e. contracted loan term less any IO term)
 - For other home loan facilities (i.e. Line of Credit) – the Qualifying Rate on a P&I basis over 30 years.
 - The qualifying rate used must be the greater of:
 - 2.5% p.a. above the effective borrower rate; OR
 - The serviceability floor assessment rate of 5.05% p.a.
 - Where gifts are repayable, these repayments must be included when calculating servicing.
 - Where customer advises expenses are less than HEM, the HEM value must be used for serviceability assessment.
 - Where applicable LMI providers may require a higher servicing requirement
 - The AFG Securities serviceability calculator is to be used as the primary capacity calculator, however all loans requiring LMI will also require a servicing assessment to be completed with the relevant LMI's capacity guidelines.

IMPORTANT: The serviceability calculator serves as a guide only. Your responsible lending obligations require that you do not provide credit assistance where a loan is unsuitable. You must make your own assessment about each applicant's financial circumstances based on the reasonable enquiries you make.

Common Debt Reducer

- A Common Debt Reducer (CDR) is a person who is not an applicant on the proposed loan but shares common debts and/or commitments (which may include living expenses) with one or more of the borrowers. Typically, this is for a spouse/defacto structure where only one of the parties is an applicant.
- A servicing assessment must be performed for the CDR, in addition to the normal assessment for the applicant. All income for the CDR is to be assessed and documented in accordance with existing standard lending policy. This will mean that the applicant will have to supply the CDR's income details to be used, otherwise they cannot be assessed.
- Where an applicant shares common debts with their spouse/defacto and supporting evidence can be provided to confirm the said spouse/defacto is able to support their individual debts and 50% of the joint debts, 50% of the joint debt can be used in servicing, and applicant can be treated as single.
- Where an applicant shares common debts with a non-spousal relationship, 50% of the joint debt and 50% of income derived from the joint asset can be used in servicing.
- To ensure adequate enquiries are made into the spousal/defacto's financial position the applicant's defacto must provide:
 - Signed privacy and consent form
 - Two recent payslips or last year's financials (as per income verification policy)
 - Declaration of assets and liabilities
- Servicing calculators for both the applicant and spouse/ defacto are required to be held on file confirming the applicant can service their debts individually.

Where an applicant is applying for a loan in their own right and has an existing joint investment loans with a third party to this application, a 100% of the loan/facility balance is required at qualification rates, however rather than only half the rental being considered, 100% of investment income derived from the property is applied.

First Home Owner Grant (FHOG) Policy

AFG Securities are accredited to process the FHOG and require the fully completed and signed original FHOG application, as well as certified copies of primary identification as depicted from State to State. Mortgage Insurers may assess FHOG loans on different ratios and guidelines.

Equity Release/Cash Out

In addition to any LMI requirements, documentary evidence is required where:

- Loan to Valuation Ratio (LVR) exceeds 80%; OR
- Equity Release / Cash Out is > \$200,000-

Where verification is required, documentary evidence must be provided and must verify at least 80% of the loan amount. Documentary evidence can include but not limited to, quotes, invoices, sales contracts, and written professional advice such as financial planner/adviser advice that supports the proposed use of funds.

IMPORTANT: The amount and purpose of the cash out must be appropriate and in line with the applicant's financial position. All applications are subject to AFG Home Loans and insurer (where applicable) credit assessment.

AFG Home Loans at its discretion, reserves the right to reject or approve any request for equity release/cash out. In addition, AFG Home Loans reserves the right to:

1. Limit the disbursement of cash out proceeds.
2. Control the disbursement of loan proceeds inclusive of cash out proceeds.

Special Condition:

This loan has been assessed on the basis that you are able to afford the requested equity release for deposit presently based on the information you have provided. We are unable to determine your future financial position in relation to any proposed investment purchase and recommend that you seek further financial advice regarding serviceability of any future debt required to complete a future purchase when more details of your purchase become available.

Special Condition is included in loan contract and no action required as part of the credit assessment process.

Construction Loans

The AFG Securities Construction Loan is available for fully verified loans **(Not available via Retro Lite)**.

Applicants may finance up to 90% (incl cap LMI) LVR (subject to product specifications) of the purchase price or valuation (whichever is the lesser).

Construction should commence within 3 months of settlement date and be completed within 12 months from settlement date of the loan.

Where the construction period exceeds 12 months (where this 12-month term cannot be satisfied due to factors outside the borrower's control), AFG Securities may at its absolute discretion increase the construction term for a further 3 months maximum.

AFG Securities may charge an additional interest rate loading where the construction period exceeds 12 months.

Construction may only be undertaken by a licensed / registered builder under a fixed price building contract.

NB: Owner builders and cost-plus contracts are not acceptable.

Split loan options are not available on a construction loan facility, the entire construction contract price must be drawn from a single loan.

In addition to standard loan guidelines all construction Loans will require the following criteria to be met prior to approval, or alternatively as an approval condition that is required prior to the first progress claim being made:

- **Council Approved Plans and Finalised Building Specification** (valuer should be asked to comment if these differ from the preliminary plans and specifications) - This must include the progress payment /building draw schedule provided by the builder stating at which stages they are going to claim payments and the amount or percentage. It should form part of the building contract and be approved by the valuer in the original 'as if complete' valuation

- **Home Owners Warranty Insurance / Indemnity Insurance** - Insurance cover taken out by the builder that covers;
 - Non-completion of the building contract due to death, disappearance or insolvency of the builder; and
 - Failure of the builder to correct faults, which are deemed by law to be the builder's responsibility, for a nominated warranty period. These contingencies are poor workmanship, faulty design, and inadequate or unsuitable materials and is only triggered by the death, disappearance or insolvency of the builder
- **Builders Insurance / Contract Works** - Insurance cover taken out by the builder that covers;
 - Construction workers being injured on site
 - Materials and machinery on the construction site in the event of an accident, fire or theft.

Loan drawing will be completed progressively, to a maximum of 5 progress draws after settlement (generally deposit, slab, plate, lock up and completion draws). Funds must always be retained to complete the construction and the loan must stay within its approved LVR maximum.

Use of Guidelines

This manual contains guidelines for various forms of residential property lending and is intended as an easy reference to AFG Securities lending policies and acceptable credit standards. The policy presented in this manual should not be seen nor interpreted as a set of inflexible rules, but as a set of guidelines, to be practiced in association with prudent lending practices.

Loans that are outside the guidelines presented in this manual may still be considered if there are inherent strengths to the transaction, credit risks can be mitigated (with justification and sufficient supporting documentation provided), which would enable the loans to be approved and LMI underwritten.

The Lending Guidelines are version controlled and issued on the nominated date advised within the document, with each new version superseding all previous versions. While care was taken to ensure the accuracy of the information provided in the Lending Guidelines any aspect of the guidelines may change without notice.

The Lending Guidelines refers to prime loans, reference back to the product specifications and matrix should be referred to in conjunction with this manual.

AFG Home Loans Products

Loan Term	
Principal & Interest	Maximum term of 30 years
Interest Only	Up to 5 years (an additional 5-year interest only period may be approved on an exception basis subject to review) reverting to P & I for the remainder of the loan term

Max Loan Term – 30 years

Minimum Loan Term – 8 Years

Loan to Valuation Ratios (LVR)

Loan to Value Ratio (LVR) expressed as a percentage, is calculated by dividing the Principal Balance of the loan(s) by the Value of all security supporting the loan(s).

The maximum LVR is dependent on several factors including loan type, property type, its location and ultimately the maximum LVR acceptable to an LMI.

The maximum loan-to-valuation ratios (subject to LMI criteria) are:

Loan Purpose	LVR
Retro – Own Occupied / Investment (Incl LMI) – Refer Product Specs for conditions and LVR requirements	Up to 90% Including LMI
Retro Lite - Own Occupied /Investment– Refer Product Specs for conditions and LVR requirements	Up to 80%

Refer to the product specifications for maximum loan size and LVR requirements

The loan-to-valuation ratios apply to all loan types, interest-only, principal and interest or a blended product.

LVR restrictions may apply to certain types of security offered (e.g. security classed as inner city or high density). In these instances, AFG securities is restricted to the maximum requirements as specified by the LMI.

Loan Amounts

The following loan amounts apply on a per security basis and reflect the maximum amount preferred by AFG Securities. However, the maximum loan amount may be restricted in accordance with the LMI requirements, where applicable.

Total exposure to AFG Securities across all facilities (existing and proposed) by any one borrower and or guarantor will not exceed \$3.0 million.

Minimum loan \$100,000 unless otherwise agreed by AFG Securities.

Loan Type	Security Type	Maximum Loan Balance (Subject to LMI Criteria)
Retro	Owner/Occupied or Investment Dwellings – Established	\$2,500,000
	Owner/Occupied or Investment Dwellings – Construction	\$1,000,000
Retro Lite	Owner/Occupied or Investment Dwellings - Established	\$2,000,000

Metro Locations only for Retro applications over \$2m and Retro Lite applications over \$1.5m, please refer to postcode guide.

Interest Rate Options

- Variable
- The customer will be given a minimum of 20 days notification of any variation to a principal and interest loan repayments (if the customer has an interest only loan or a line of credit then these repayments cannot be determined, and notification of a repayment change cannot be given)

AFG Securities will calculate all loan interest daily. Daily Interest is calculated against 365 days in the year, as follows:

- The annual percentage rate divided by 365 (as a percentage rounded to 4 decimal places) equals the daily rate.
- Loan Balance multiplied by the daily rate equals the daily rate of interest

Example

Loan Balance \$150,112.50

Interest Rate 7.25% per annum

$7.25\% / 365 = 0.0199\%$ (round to 4 decimal point from .019863014%)

$\$150,112.50 * .0199\% = \29.87 per day

Variable interest rates can change at AFG Securities discretion. Any change will be notified to the customer prior to the new interest rate being applied (via either a letter or advertisement in a national newspaper)

Interest Rate Periods

Interest will be calculated on the daily closing balance outstanding, accrued daily and charged on the last day of the month (in arrears).

Split Facilities

Split loans are generally available on all AFG Securities loans to a maximum of 4 splits unless otherwise approved by AFG Securities.

If the offset sub-account is established after settlement of the loan, a Variation Fee may apply.

Making an Assessment

Responsible Lending Obligations

Your responsible lending obligations require you to make reasonable enquiries about the customer(s) objectives, financial situation and requirements including taking reasonable steps to verify their information.

You must make an assessment that a particular loan with a particular credit provider is not unsuitable for the client.

Where the loan is NCCP regulated (where it is for personal, domestic, or household purposes, to purchase residential property, or a refinance of a contract for one of these purposes), you must not provide credit assistance if the consumer could not meet their obligations or could do so only with substantial hardship.

It is your responsibility under the responsible lending obligations of NCCP to verify the financial situation of the applicant as well as establishing whether the applicant can meet their obligations without substantial hardship.

Applicants

Borrower Identification

AFG Securities require a completed Identification Check form as specified under Anti Money Laundering & Counter Terrorism Legislation (AML/CTF) - for all borrowers and guarantors with all applications.

The identification check form must be completed by a staff member of the Originator or by an authorised agent of the Originator who has completed the MFAA or equivalent AML/CTF certificate. The person completing the form must have sighted the original identification documents and the individual to whom the identification belongs (copies of the original identification must accompany the identification check form).

Where possible at least one piece of primary photographic identification i.e. passport; driver's licence is to be sighted and compared to the individual. Clear copies of the evidence provided must be submitted with the application and kept on file.

Where photographic identification is not possible then primary and secondary non-photographic identification can be used.

Tax File Numbers

Any Australian Tax File Numbers (TFN) that may be included in income verification documentation (PAYG Payment Summary, taxation returns) must be deleted or otherwise permanently masked.

Credit Bureau Reports

Credit report will only be conducted when a signed Privacy Act Authority is held for each borrower and guarantor, with a completed and signed Privacy Act Authority for every individual borrower and guarantor required.

NB: Non-compliance may result in substantial penalties being incurred by both individuals and companies for misuse of the Credit reporting system under the provisions of the Privacy Act.

Credit reports must be obtained on each borrower and guarantor, whether they're an individual or company.

Company searches must also be completed on all companies associated with the application or income source.

All credit enquiries should demonstrate a clear credit history for the loan to be considered a prime loan (i.e. no defaults, judgments or other adverse listings). Exceptions under prime lending for small non-financial indiscretions may be considered subject to a satisfactory and acceptable explanation.

Where financial indiscretion or multiple adverse service listings have occurred then the loan may be reviewed under Link guidelines, subject to the individual product criteria outlines.

All listed debts on the loan application will be checked against the credit report to confirm current borrowings, with evidence of the debts supplied.

Reasonable enquiries must be made on credit enquiries listed on the credit report which are less than 12 months old to ensure that there are no undisclosed debts. A notation is to be made against each enquiry listed confirming the outcome of the enquiry and a copy included on AFG Securities loan file.

The credit report may not be more than 90 days old at time of formal approval.

Powers of Attorney

AFG Securities will not accept loan applications, loan agreements or legal documents to be signed under power of attorney (excluding COS).

Non-English Speaking Borrowers

AFG Securities may lend to non-English speaking borrowers, however they will need to be interviewed by a person fluent in their primary language at the loan application stage, with file notes detailing the interview included with the loan file (notes should stipulate that the borrower(s) do not speak/understand English and advise of their primary language).

Where the borrower(s) has been identified as non-English speaking all loan agreement/documents will require to be explained by an independent professional translator, with the translator completing and signing a certificate verifying the interview and documents discussed (this certificate will be supplied by AFG Securities Panel Solicitor).

Security Properties

Property Concentration Risk

AFG Securities may at its absolute discretion restrict the number of properties accepted as security in any given development or geographic location, to limit concentration of risk exposure. All restrictions will be viewed on an individual basis.

If a security is held "Tenants in Common" then the minimum ownership requirements must be 20% for the borrower to be considered to derive a benefit from the security.

Off the Plan Purchases

Off-the-plan purchase may present a situation where increased borrowing are sought (at time of the loan application or prior to the property completion/settlement) due to increased value of the subject property.

Normal lending criteria will apply however an allowance may be made for the increased property value based on the following:

- Loan application is a prime home loan
- The proposed settlement date of the property must exceed 12 months from the exchange of contract to purchase off the plan (or the original date of the contract to purchase).
- The proposed property must be completed
- The valuation must be completed with the valuation report specifically addressing comparable external sales to the subject property.

In cases where the increased value is applied the loan amount is not to exceed more than 100% of the original contract purchase price. Where the requested loan amount exceeds the original purchase price then the loan should be referred to the Credit Committee with a detailed explanation as to why the loan should be approved outside of guidelines.

The LVR must always be in line with AFG Securities and LMI's policy with respect to such lending.

All other policy terms and conditions for the lending remain unchanged.

Valuations

Approved Valuers

Valuations are required on all securities under the AFG Securities Program

Minimum panel Valuer criteria specified for AFG Securities is:

- The Valuer must be registered with either the Real Estate Valuers Registration Board or the Australian Property Institute Inc.
- The Valuer must provide written confirmation of their registration/licensing arrangements
- The Valuer must supply evidence of an acceptable level of current Professional Indemnity Cover of a minimum of \$2M in Metropolitan and Fringe, and Major Regional Centre areas, and \$1M in rural areas.
- Valuers will only be allocated properties located in their geographic areas in which they operate (or areas of specialty as proven)
- Valuer must include a minimum of 3 comparable sales to the property valued, that have sold and settled within a 6-month period of the valuation date
- All valuations for property purchases must be accompanied by the corresponding executed contract of sales prior to the valuation being completed (NSW contract of sales are not executed until contracts are swapped). Also, all Queensland purchases must also be accompanied with a Form 8.

Acceptable Valuations

All valuations must be completed by a Panel Valuer, with the report addressed to the following parties;

- AFG Securities Pty Ltd
- The Trustee
- Security Custodian
- Loan Mortgage Insurer (LMI)

The valuation format must be in API Pro-forma format and must include photographs of the proposed security and location.

Valuations by a non-approved Valuer must be referred to the Head of Credit or AFGS Operations Manager for approval.

A valuation is considered acceptable when it has been conducted no greater than 3 months prior to formal Approval, and 6 months prior to settlement (or an acceptable period to the LMI).

AFG Securities reserves the right to have a valuation report reviewed at its absolute discretion.

Valuation Types

The following types of valuations are acceptable (subject to LMI Provider Valuation Requirements)

- Desktops (EVR)
- Short Form
- Long Form

The type of valuation ordered will be determined by the Business Rules Engine.

Note: Desktop valuations are not acceptable for Self-Certified applications (Retro Lite)

Valuation Age

A valuation is considered acceptable when it has been conducted no greater than 3 months prior to formal Approval, and 6 months prior to settlement (or an acceptable period to the LMI). In instances where approval and settlement cannot be achieved within these time frames then an updated valuation must be requested.

Valuations – Sales Purchases Without an Agent and Non Arms-Length Transactions

The valuer must be instructed of the fact that no agent is involved in the transaction or that the transaction is a non-arms-length transaction (detail of the parties involved in the transaction should be determined – i.e. Parent/Children).

AFG Securities may accept loans where no agent is involved in the sale or it is a non-arms-length transaction provided that the valuer makes comments within the valuation report acknowledging awareness of the terms of the sale and that the valuation represents fair market value with comparable sales evidence.

Lending Guidelines

Capacity to Repay, Income Assessment, and Equity

Where the loan is NCCP regulated (where it is for personal, domestic, or household purposes, to purchase residential property, or a refinance of a contract for one of these purposes), you must not provide credit assistance if the consumer could not meet their obligations or could do so with substantial hardship.

It is your responsibility under the responsible lending obligations of NCCP to verify the financial situation of the applicant as well as establishing whether the applicant can meet their obligation without substantial hardship.

Borrower Age

Where a borrower or co-borrower age is >50 years old:

- The use of funds and a clear and direct benefit to the borrower must be established
- You must establish how the borrower will be able to meet repayments upon retirement (for the remainder of the loan)
- AFG Home Loans may require borrowers to obtain independent legal and/or independent financial advice.

Borrower of Convenience

In circumstances where borrowers are considered to be a spouse by law, then the concept of deriving a benefit from the loan proceeds is not always clear.

The following schedule outlines when a “Borrower of Convenience” can be taken:

Structure	Action
Spouse as joint borrowers/co-borrower, but the asset is acquired by only one of the borrowers. This usually occurs where one spouse's income needs to be brought into account for servicing, yet the asset is in the other spouse's name to avoid exposing the assets to the other's creditors or for investment purposes.	Acceptable with no special requirements when the purpose is to purchase or refinance an owner occupier residence. However, when the loan is for investment purposes or the spouse does not derive a direct benefit from the purpose then a special condition must be included in credit contract and legal advice sought by the spouse not deriving a direct benefit (i.e. the spouse which is not acquiring asset).
Borrowers not deemed to be spousal by law, and borrowers who will be disadvantaged by becoming a co-borrower (e.g. elderly, poor English skills, highly geared).	Not acceptable.

Special Condition - Where a spouse is acting as a borrower of convenience, as per the above scenario, the loan must be approved with the following special condition noted on the Schedule 4 and the loan contract:

"[XXX = NAME OF BORROWER OF CONVENIENCE] must obtain independent legal advice regarding the obligations undertaken in this credit contract. If at any time for any reason XXX's obligations as borrower under this Loan Offer are reduced or released in any way, XXX agrees as a separate obligation to pay all money due to the lender under this Loan Offer. XXX guarantees and indemnifies the lender against all loss, costs, damages and expenses resulting from any failure of any borrower to comply with all the obligations under this Loan Offer. This clause has been inserted because the lender recognises that XXX may derive no direct benefit from entering this transaction, and the lender is concerned to ensure that XXX understands the effect of his/her obligations under this document."

Guarantors

AFG Home Loans reserves its right to request a guarantee at any time. Full financial information is required from all guarantors in the same manner as required from borrowers. Guarantors may be required to obtain independent legal and financial advice to ensure they understand the terms of the Guarantee.

In the case of non-English speaking applicants, the appropriate independent professional, in the borrower's native language, should provide this advice.

A guarantee(s) will be required where:

- The borrower is unable to service the debt in their own capacity including the use of Self-Employed Income and is relying on another separate legal entity to service
- The borrower is a private company other than a corporate trustee; all directors must provide personal guarantees. In the instances where directors act in a nominee position only (and are unwilling to provide a guarantee), formal documentation to this effect must be obtained from the borrower.
- A related company generates income (that is not considered self-employed) which is relied upon to service the loan, guarantees from the directors of the related company are required.
- The borrower is trustee of a unit trust; each unit holder will be required to provide a guarantee.
- A security provider is not a borrower the security provider must provide a guarantee

Loan Servicing

Repayments

Repayments are contracted monthly, customers may elect to make payments weekly, fortnightly or monthly.

The default system repayment due dates;

Principal & Interest Loans – due on the monthly anniversary of funding - E.g. loan funded 5th Feb 2006, first repayment will be due on 5th March 2006 (Unless the loan is funded on 29th / 30th / 31st, then the loan will be due on 1st of each month.

Interest Only Loans – will all be due on the 1st of each month. E.g. loan funded 5th Feb 2006, first repayment will be due on 1st March 2006 (the repayment will be the calculated interest for the preceding month e.g. 1st March will be for February interest)

Repayments may only be made by a direct debit against a nominated account with a banking institution or electronic salary crediting depending on individual product specifications.

AFG Securities must in all instances hold a signed direct debit authority against a nominated bank account even though this is not active as is the case with salary crediting.

Additional principal payments may be made to a loan account at any time more than their scheduled repayment (provided this falls within the specific terms for the loan type).

Redraw Facilities

Redraws are subject to:

- Loan not being in arrears or default at the time of the request
- Availability of the redraw facility is always at the absolute discretion of AFG Securities
- Product Type
 - All P&I variable loan types have the availability of redraw
 - All fixed loan types do not have the availability of redraw
 - Interest Only loans do not have the availability of redraw
 - Products that carry an Offset Sub Account may redraw funds held in the sub account.

Customers may redraw amounts paid above the scheduled repayments on their loan (cleared funds only). Redraws can be made via online banking or a manual request form.

Access to Redraw Facility

The two access methods for Redraw are:

1. Electronic via Internet Banking, Direct Entry and Visa Debit Card (must have an associated Offset Sub Account)
2. Manual via a form request to AFG Home Loans – all parties to the are required to sign a manual redraw request

Online Redraw Access

The customer must have Internet banking services on their loan and may redraw funds via internal or external transfer.

Redraws from the loan account must be completed internally to the Offset Sub account. There is no minimum redraw amount for external transfers from the Offset Sub Account via internet banking or Visa Debit card.

The default limit setting for internet banking is \$3000.00 (a maximum of \$10,000 redraw limit can be requested via internet banking services, or a temporary limit up to \$20,000 is available if the customer contacts AFG Home Loans customer service)

Manual Redraw

A manual redraw must be requested in writing and will be processed within 2 working days of being received.

The minimum manual redraw amount is \$3,000 and the maximum amount is limited to funds available for redraw. In these cases, the maximum amount will be restricted by the excess (in advance) repayment component of the loan.

A Manual Redraw Fee is payable when requesting this service (Refer Fee Schedule).

Offset Sub Accounts

The Offset Sub Account is a sub loan account with funds held in the account offsetting 100% of their value against the loan account balance.

The Offset Sub Account is made available to enable electronic redraw transactions via a Visa Debit Card, Direct Entry or internet banking. If a customer wishes to utilise redraw on their loan account, then the offset sub account is required to enable redraw to external sources.

Borrowers will receive separate transaction listings on the statement for the Loan Account and Offset Sub Account

Loan Statements

All loans require statements to be issued on a regular basis. AFG Securities will abide by the requirements under the NCC for all loan statements:

- Line of Credit – Statements will be issued monthly, at the end of each calendar month.
- Term Loans (Housing Loans) – Statements will be issued 6 monthly, as at 30th June and 31st December each year.

Should a customer require an interim statement during these periods a transaction listing (Snap Shot Statement) will be issued.

If a customer requires statements to be re-issued for any purpose, then copies of the electronically archived statements are held on system.

Whenever a customer requests additional statements or a copy of previously issued statements fees are chargeable (refer loan fees and charges schedule)

General Insurance

AFG Home Loans requires general insurance to be in place on the secured property prior to settlement, and to be maintained at all times.

Insurance must be for the full replacement value, for all risks normally covered under a house owner's building insurance policy or as indicated by the valuation. Insurance must be affected with a reputable insurer acceptable to AFG Securities.

In all instances the Panel Solicitors will ensure that adequate replacement fire insurance is in place and where stipulated flood insurance.

All insurance must note Perpetual Corporate Trust Ltd as an interest party.

Loan Variations

Loan Amount Increase

Existing loans must have been settled for at least 6 months, with all repayments met in a timely manner and/or the facility has remained within limitations (LMI limitations guidelines should also be taken into consideration).

All loan increases will be created as a separate loan account and will mirror the term of the existing loan.

Lite Doc to Full Doc

After a minimum 12 months good conduct with AFG Securities, Self-Certified (Low Doc) customers may make application to convert their loan from Low Doc Loan to a Full Doc Loan.

To convert to a fully verified loan the loan must have an excellent repayment history with no arrears, and the customer must supply:

- Confirmation of ABN registration for 2 years & GST Registration where required
- Updated Loan Information/Variation Application Form must be completed and signed (including full asset and liability schedule)
- Personal Tax Returns / Business Tax Returns (incl. P&L Statements & Balance sheets)
- Last Financial Years ATO Tax Assessment Notice
- Any other income supporting documentation that may assist (BAS, rental income statements).

Capacity calculations must be in line with guidelines and the current Servicing Calculator.

If the Loan qualifies, AFG Securities may require an updated valuation, another credit check completed along with any other supporting documentation that is deemed necessary.

A variation cost may apply to the conversion and all external costs incurred will be charged.

AFG Securities reserves the right to approve conversions at its absolute discretion.

Link to Retro

After a minimum 12 months good conduct with AFG Securities, Near Prime customers may make application to convert their loan to a Prime Loan.

To convert to a prime loan the loan must have an excellent repayment history with no arrears, and the customer must supply:

- Income confirmation in line with the Prime Lending Guidelines
- Updated Loan Information/Variation Application Form must be completed and signed (including full asset and liability schedule)
- Any other income supporting documentation that may assist (BAS, rental income statements, verification of liabilities).

Capacity calculations must be in line with guidelines using the Servicing Calculator current at time of the request.

AFG Securities will require a credit check to be completed with the outcome being satisfactory and may require an updated valuation along with any other supporting documentation that is deemed necessary.

A variation cost may apply to the conversion and all external costs incurred will be charged.

AFG Securities reserves the right to approve conversions at its absolute discretion.

Expiring Approvals

Formal approval is valid for 6 months from the initial formal approval date, after this time the loan approval and documents issued will expire and loan approval is withdrawn (broker must be advised).

If the loan is to continue after the 6-month period the following information will be required for the loan to proceed (signed off by the appropriate DLA holder):

- New signed and dated loan application with up dated A&L.
- Fresh credit reports for all parties to the loan and related entities will be required. All new enquiries will need to be investigated and assessed accordingly
- Updated supporting documentation in line with new approval requirements (refinance statement / deposit confirmation / supporting loan statements not being refinanced)
- A new valuation report to be completed.
- Updated income verifications will be required in line with new approval requirements (Low Doc will require an accountant and customer verbal confirmation checks be recompleted).
- Servicing requirements will be based on current policy at time of reassessment, with any changes to serviceability or employment details assessed which may result in the preapproval not being granted
- Fresh LMI approval, where applicable
- The loan will need to be formally reapproved and new loan documentation issued by AFG Securities/Panel Solicitor.

Product Profiles

Refer full product specs - Lenders

Profile	Retro Home Loan Overview
Loan Types	Prime Owner Occupier & Investment
Description	Principal and Interest repayments for the term of the loan or Interest Only for a maximum of 5 years. Purposes include Purchases, refinance or any other worthwhile purpose.
Loan Amount & Max LVR	Fully Verified Established - up to \$1m/ max 90% LVR Fully Verified Established - \$1m up to \$2.5m / max 70% LVR Fully Verified Construction - up to \$1m / max 90% LVR (minimum loan in all cases \$100,000 /Minimum loan split \$20,000)
Loan Term	Min 8 Yrs. / Max 30 years
Maximum Land Size	Established – 10 Hectares
Interest Types	P&I or Int Only
Interest Rate	Variable Interest Only periods are for a maximum of 5 years (with an additional 5 years subject to qualification), after which repayments will revert back to principal and interest for the remainder of the loan. Interest rates are subject to LVR, security type and location, please refer Guidelines and Rate sheets.
LMI Required	All loans exceeding 80% LVR require Mortgage Insurance
Redraw Available	Yes (Variable P&I Rates Only)
Repayment Options	Monthly, more frequent payments are permitted on P&I Loans (i.e. fortnightly).
Offset Sub Account	Yes (with optional Visa Debit Card access)
Repayments	Direct Debit from borrower's bank account
Access Method	Funds are accessible via redraw (Internet Banking access)
Loan Statement	Posted bi-annually in January and July each year.

Profile	Retro Lite Home Loan Overview
Loan Types	Owner Occupier & Investment
Description	Principal and Interest repayments for the term of the loan or Interest Only for a maximum of 5 years. Purposes include Purchases, refinance or any other worthwhile purpose.
Loan Amount & Max LVR	Fully Verified Established - up to \$2,000,000 / max 80% LVR plus risk fee (minimum loan in all cases \$100,000)
Loan Term	Min 8 Yrs. / Max 30 years
Maximum Land Size	Established – 0.25 Hectare
Interest Types	P&I or Int Only
Interest Rate	Variable Interest Only periods are for a maximum of 5 years, after which repayments will revert to principal and interest for the remainder of the loan. Interest rates are subject to LVR, security type and location, please refer Guidelines and Rate sheets
LMI Required	N/A
Redraw Available	Yes (Variable P&I Rates Only)
Min Redraw Amount	\$1 (electronically)
Repayment Options	DUE: Monthly, more frequent payments are permitted (i.e. fortnightly).
100% Offset Account	Yes (with Visa Debit Card access)
Repayments	Direct Debit from borrower's bank
Access Method	Funds are accessible via redraw (Internet Banking access)
Loan Statement	Posted bi-annually in January and July each year.
Service Fee	\$330 per annum

Break costs administration fee payable if break costs are payable for any reason.	\$295
<p>Loan variation fee - payable in each instance when we agree to a:</p> <p>a) simple variation, such as when we agree to:</p> <ul style="list-style-type: none"> • vary your existing Home Loan Contract; or • a request to a consent or change of Borrower details; or • remove or add a borrower to the loan; or • switch from Principal & Interest to Interest Only; or • a product Conversion from Link to Retro; or • extension of Interest Only Period; or • consents, such as request for Second Mortgage; or • plan of subdivision; or • substitution of Security. 	\$150 per variation plus third party fees – see below
<p>b) complex variation, such as when we agree to:</p> <ul style="list-style-type: none"> • request an increase to existing home loan; or • convert from an existing Low Doc loan to a Full Doc loan. 	\$295 per variation plus third party fees – see below
Discharge administration fee - payable each time we partially or fully release or discharge a Security. This fee is payable with your request.	\$350 per security property plus third party fees – see below
Cancelled settlement fee – payable on the settlement date if your loan is booked for settlement on a particular day but the settlement is cancelled for reasons beyond our control.	\$250 per cancellation plus third party fees – see below
Third party fees are fees incurred by us in providing the service and include such costs as valuation fees, lenders mortgage insurance premium, Lenders risk and processing fee, legal costs, document custodian charges, courier costs, titles office fees, and electronic processing fees, all of which are unascertainable at the disclosure date.	
Delayed settlement fee payable on the settlement date if the settlement date occurs more than three months after the disclosure date.	\$250
Inward dishonour fee payable when a cheque deposited to your account is dishonoured.	\$9 per dishonoured cheque
Direct debit dishonour fee payable when a direct debit you have authorised us to process is dishonoured.	\$9 per dishonoured direct debit
Dishonour fee payable when a direct debit authorised by you and processed by an external source against your account is dishonoured.	\$9 per dishonour
Inward dishonour fee payable when a cheque deposited to your account is dishonoured.	\$9 per dishonoured cheque

Direct debit dishonour fee payable when a direct debit you have authorised us to process is dishonoured.	\$9 per dishonoured direct debit
Dishonour fee payable when a direct debit authorised by you and processed by an external source against your account is dishonoured.	\$9 per dishonour
Enforcement expenses. You must pay our reasonable costs (including internal costs and any legal costs and disbursements) arising from any default by you.	Unascertainable
Contractual arrears fee payable each time you fail to make a scheduled repayment under your loan agreement within seven days of the due date.	\$25 per month
Over limit fee payable each time the balance of your loan exceeds your credit limit.	\$9 per occurrence
If any payment to the Lender is for a taxable supply for the purposes of GST or any similar tax, you must also pay to the Lender on demand an additional amount equal to the tax relating to that supply.	Unascertainable
[ONLY INCLUDE IF SHOWN ON THE SCHEDULE 4] Annual service fee payable annually in advance on each anniversary of the settlement date.	\$330 per annum
Manual redraw fee payable if you request a redraw from your account in writing to be processed by us.	\$50 (via RTGS)
Fees and charges relating to the access methods	\$9 (Via Direct Entry)
The following fees are payable only if you have a LoC loan Cheque book fee payable for each chequebook issued.	\$25 per chequebook
Dishonour fee payable when a cheque you have issued is dishonoured.	\$45 per dishonour
Stop payment fee payable when you request the cancellation or stop of an issued cheque.	\$10 per cheque cancellation
The following fees relate to accessing your account ATM cash withdrawal, balance request and decline transaction fee payable when you withdraw cash, request a balance or have a transaction declined on your account using an ATM.	Unascertainable – charged at the amount payable by the ATM provider
Excess transaction fee payable when you transact on your account using EFTPOS, direct debit or outgoing automatic transfer (i.e. an automatic transfer from your account with us, to an external account) (including if your transaction is declined).	The first 20 transactions each calendar month are free, thereafter \$0.50 per transaction.
Cash advance fee payable if you obtain a cash advance using your Visa Debit card in Australia or overseas.	\$4.50 per cash advance

Replacement card fee payable for issuing you with a replacement card including if your card is damaged, lost or stolen	\$25 per card (when more than one card has been requested in any given 365 day period)
Priority card fee payable if you request a replacement card to be issued on a priority basis.	\$50 per card
International emergency replacement fee payable if you request a replacement card or money to be delivered or replaced outside Australia.	\$300 per request
Manual cheque deposit fee payable if you request a cheque to be deposited to your account.	\$9 per cheque
Cheque special request fee payable if you request special clearance of a cheque, a cheque to be traced or request a bank cheque.	\$25 per request
Honour fee payable when we, in our absolute discretion, honour a personal cheque, direct debit or any other transaction drawn on your account which would otherwise be rejected or dishonoured due to insufficient cleared funds.	\$9 per honour
Declined automatic payment fee payable if an automatic payment which you have requested cannot be made from your account due to insufficient funds.	\$9 per dishonoured payment
Telegraphic transfer fee payable if you request a telegraphic transfer or an alternative form of real time gross transfer of funds from your account.	\$50 per telegraphic transfer
Electronic transaction recall fee payable when you request a recall of an electronic transaction (fee payable regardless of whether the recall is successful).	\$25 per recall
Additional statement fee payable if you request an additional statement of account.	\$9 per statement
Voucher retrieval fee payable when you request a copy of a cheque or visa voucher.	\$50 per item
Document request fee payable if you request a copy of any document relating to your mortgage or loan agreement.	\$50 per request
Foreign currency transaction fee payable for each purchase, cash advance or each foreign currency transaction on your account that is in a currency other than Australian dollars.	2% of the amount which is converted to \$AUD for each transaction

Version Control

Version	Date
Version 1	October 2013
Version 2	October 2014
Version 3	March 2015
Version 4	June 2015 (Retro Brand Switch)
Version 5	Sept 2015
Version 6	Dec 2015
Version 7	May 2016
Version 8	Dec 2016
Version 9	July 2017
Version 10	Jan 2018
Version 11	Feb 2018
Version 12	Oct 2018
Version 13	Jan 2019
Version 14	Jan 2020
Version 15	Dec 2021
Version 16	Feb 2022

Position	Head of Credit	Head of Risk	Executive Credit Committee	Manager Securitisation
	Responsible	Accountable	Accountable	Consulted
Version 14	Approved	Approved	Approved	Consulted
Version 16	Approved	Not required	Not required	Consulted

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Information correct as at 24 February 2022 and is subject to change. AFG Home Loans lending criteria, terms, conditions, fees and charges apply. Full details of terms & conditions available on application. (AFGS220001)