

Home Lending Policy

Logistics	
Effective Date:	1/04/2026
Approving Authority:	Executive Committee
Policy Owner:	Chief Risk Officer
Due For Review:	1/10/2026
Publicly Shared:	Broker Website

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1. Background

HomeStart is a State Government organisation that is solely focused on providing home loans for South Australians.

Our purpose is **'To make home ownership a reality for more people in more ways'**.

HomeStart has made home ownership a reality for thousands of South Australians by providing home finance where others won't.

2. Objective

This policy aims to ensure that HomeStart complies with legislative, regulatory, and internal requirements when lending to an applicant.

All HomeStart loan consultants and brokers must follow this policy when identifying and assessing the financial situation of a HomeStart applicant.

We must also comply with the requirements of Acts and Regulations including, but not limited to:

- National Consumer Credit Protection Act 2009
- Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act).
- Privacy Act 1988
- ASIC Act 2001
- Australia Credit Licence #388466

3. Scope

This policy applies to any relevant HomeStart employees, internal loan consultants or external brokers who are assisting an applicant to:

- Apply for a particular credit contract
- Apply to increase the credit limit on an existing credit contract
- Stay in an existing credit contract.

Please also refer to [11. Definitions](#) and [14. Roles & responsibilities](#) for additional information.

Note: The Product Information Policy must be read alongside this policy.

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

In this document **'we'** refers to HomeStart.

4. Who can borrow from us

We only lend to people who meet our [personal criteria](#), our [suitability criteria](#) and the [specific criteria](#).

4.1 Personal criteria

Who we lend to	Who we don't lend to
<u>Applicants and third parties must be:</u> • Minimum 18 years old and • Able to prove their identity under our Customer Identification Policy and either • An Australian citizen, or • A Permanent Resident, or • Hold a skilled migrant status in Australia	<u>We don't lend to:</u> • Owner-builders • Body corporates, companies or trusts • Undischarged bankrupts or bankrupts discharged within the last three years • Borrowers who need a guarantor • Anyone who doesn't meet the personal criteria and suitability criteria

4.1.1 Residency requirements

Resident type	Requirements
Permanent Residents must provide one of the following:	• Permanent Residency Visa, or • Full copy of Visa Entitlement Verification online (VEVO) report, or • Provide evidence of Australian Centrelink Benefit, or • New Zealand residents can provide current passport
Non-resident co-borrowers:	Consideration will be given to adding a non-resident as a co-borrower if they: • Have a Partner Subclass 820 Visa, and • Can provide the Foreign Investment Review Board (FIRB) approval document. Note: Income for non-residents will not be accepted.
Skilled Migrant requirements:	• Must hold an acceptable visa to stay and work in Australia permanently (489 or 491) • Must have at least 12 months remaining on visa

4.2 Suitability Criteria

General criteria
We only lend if: • We can meet the borrower's requirements and objectives, and • We're confident that the borrower can understand all the requirements and responsibilities of the loan, and • The loan won't put them under substantial hardship (i.e. the loan is "not unsuitable")
To determine whether a loan is not unsuitable, we: • Make reasonable enquiries about the borrower (Recording in a file note or within the system), and • Verify their information, and • Assess whether the loan is not unsuitable for them based on our enquiries and verification

4.3 Specific criteria

Specific criteria
There are some specific situations in which additional criteria apply, such as: • Bankrupts • Borrowers over 50 • People with disabilities or impaired comprehension • Joint applications • Third-party representations (e.g. power of attorney)

4.3.1 Borrowers who are over 50

Borrowers who are over 50 must explain how they plan to repay the loan when they retire (their exit strategy).

We discuss the borrower's exit strategy for the loan and record submission notes. For example, a borrower may plan to repay the loan by:

- downsizing to a smaller home when they retire
- selling assets such as shares
- using lump sum payments or income from superannuation
- converting to a Seniors Equity product (or similar)

If a borrower plans to use superannuation or sell assets to repay the loan, we must verify the source of this money.

4.3.2 Capacity to understand requirements and obligations

We ensure that the borrower can comprehend all the requirements and responsibilities to fulfil the minimum loan assessment criteria.

Physical disability

If a borrower has a physical disability, such as a vision or hearing impairment, the loan consultant determines whether we need external assistance from 'Deaf Can Do' or the 'Royal Society for the Blind' to help explain the loan and supporting documentation.

We'll provide external assistance for the customer interview if it's needed.

The Loan Consultant may determine that the borrower needs external assistance after we deliver the loan documents to the borrower. This should be communicated to the borrower and will be for the borrower to arrange.

If other significant conversations are to be held with the borrower, then we should organise external assistance for those conversations too.

The Loan Consultant must obtain written evidence from the assisting body confirming that they provided this assistance (on each occasion).

The borrower's friends, relatives and joint borrowers are not appropriate people to deliver external assistance.

English as a second language

If a borrower has difficulty speaking and/or understanding English, we ask an independent interpreter from the Interpreting and Translating Centre or the Department of Immigration Multicultural Affairs Translating Service for assistance.

Interpreters must always remain independent from the loan process.

In these circumstances we exercise caution and contact all parties individually to ask them to attend an interview.

Disabilities or impaired comprehension

If we're not certain that the borrower understands or comprehends the requirements, we should not proceed with the application

4.3.3 Joint applications

We allow up to four borrowers on a single loan application. If two or more borrowers jointly apply, we can assess each borrower's capacity to repay individually or make reasonable inquiries about their combined financial situation and take reasonable steps to verify that financial situation.

If our assessment shows that a borrower on a joint application can't service the loan, or that multiple individuals are on an application for their borrowing capacity only, we reserve the right to decline the application by deeming the contract as 'unsuitable'.

See [How much they can borrow](#) **Error! Reference source not found.** for details.

4.3.4 Third-party representation

Any third party can make written applications on behalf of a borrower if the borrower gives them written authorisation.

The Credit Assessment team must approve all requests from borrowers for a third party to represent them. If there is any uncertainty about issuing an authority, we refer the application to Legal.

Joint or individual

If a borrower wants to authorise more than one person, we determine whether the third parties are acting jointly or individually on behalf of the borrower.

Power of Attorney (POA)

A power of attorney is where a borrower gives written authorisation for one or more people to act on their behalf.

A borrower can define what the person who has their power of attorney can do on their behalf, which can include:

- applying for a loan
- enquiring about the loan
- requesting statements
- transacting on the loan

A person can only offer power of attorney if they have the required mental capacity.

A person holding power of attorney has a legal obligation to act in the best interests of the borrower.

Types of power of attorney

There are two types of power of attorney:

- Enduring power of attorney - this gives a person authority to act on the borrower's behalf if they lose the required mental capacity to act for themselves. These authorisations generally end when the borrower dies.
- General power of attorney - this gives another person the power to act on the borrower's behalf (for example, to buy and sell things for them or operate their bank account).

We don't accept general powers of attorney.

Registration number

When signing on behalf of a borrower, a person who is authorised by a power of attorney to deal with the property must include this wording under their signature:

"Signed on behalf of (borrower name) under Power of Attorney number (insert the registration number stamped on the document)".

If a power of attorney authorisation gives the person holding it the power to deal with land, then the authorisation must be stamped or registered with the Lands Services Group (formerly the Lands Titles Office).

The power of attorney must be registered and stamped before we execute any loan document.

Conflicting instructions

If a borrower and a person who has their power of attorney give us different or conflicting instructions, we follow the borrower's instructions if they have the required legal and mental capacity to act for themselves.

Guardianship

If a borrower can't make decisions about their loan because of mental or other incapacity, the South Australian Civil and Administrative Tribunal (SACAT) may make orders for a person to handle their legal and financial matters. We need written confirmation of the orders.

Further SACAT orders may be required to approve a contract for the purchase of land, and this may need to be a condition that is notified to the borrower/Guardian. Please refer to the Legal Counsel or the Chief Risk Officer before finalising applications involving Guardians.

5. What can they borrow for

5.1 Loan purpose

What we lend for	What we don't lend for
<u>We only offer loans for:</u> • Buying an established home • Buying residential land • Building a home • Home improvements for existing HomeStart borrowers • Refinancing an existing mortgage • Seniors Equity (refer to Product Information Policy)	<u>We don't offer loans:</u> • To buy a business • For investment purposes • For portability (keeping the same loan but changing the security property) • As bridging finance (short-term loan to buy a new property while selling the current property) • To refinance vacant land with no construction contract in place

5.2 Debt consolidation

We offer loans to refinance consolidated debts if:

- The borrower is refinancing a housing loan, **and**
- The amount of consumer refinance is within \$20,000, **and**
- If consolidating business debts, the business has ceased trading

5.3 Construction loans

- A licensed builder must be engaged to construct the home
- Borrowers must provide a building pack which should include all plans and specifications
- HomeStart requires that all works be included in the fixed price contract between the borrower and the builder. HomeStart will not permit the removal and replacement of any item which forms part of the builder's normal specifications (e.g., oven, internal painting or hot water service). At its absolute discretion, HomeStart may consent to the following works being undertaken by outside contractors:
 - Floor coverings
 - Concrete or paved perimeter paths and driveway
 - Air-conditioning
- If the build contract notes a build time frame of 10 months or greater, a conversation and file note is required on how the applicant will meet their repayments post the 12-month repayment free period.

Note: All quotes must be for supply and installation by the same contractor and loan funds will not be released to pay for deposits. Payments will only be made to the outside contractor who provided the original quote used in completion of the valuation and loan approval. If, in exceptional circumstances, the original contractor is unable to complete the works a 'like for like' quote must be obtained. Any increase in cost is to be met by the borrower and any surplus funds resulting from a reduced cost will only be repaid to the loan

5.4 Transportable and kit homes

We'll consider lending for [transportable and kit homes](#) on a case-by-case basis.

5.5 Home Equity Loans

This policy applies to all Home Equity Loan (HEL) requests.
Utilisation of Home Equity Loan Calculator as a first action is required to determine acceptable request. • Must be an existing HomeStart customer • Loan to Value Ratio – Refer Product Policy for acceptable LVR and Valuation/Valuer General Requirements • Verify income according to lending policy.

- Credit check review per HomeStart Lending Policy. This report must be clear of any impairment (i.e. no defaults, judgements etc) since settlement of the HomeStart loan
- All commitments are required to be declared and included within lending system – Verification of declared commitments is not required (loans, credit cards etc) unless request is for debt consolidation – in this instance liabilities are to be verified per lending policy.
- Verify recent conduct of current home loan – Borrower(s) require a minimum 12-month satisfactory repayment history. Any adverse conduct must have a satisfactory explanation to proceed.
- No history of repeated dishonours within the past 12 months
- Verify council / water rates up to date with documents confirming held on file.
- No caveats or charges on the Certificate of Title
- Net Surplus Income >5%: use customer declared expenses – no further verification is required.
- All other responsible lending criteria must be met

Internal Refinance

Where it is deemed that the customer is not eligible for a HEL through use of the calculator and the purpose of funds remains within the guidelines of the HEL product guide a customer may be considered for an internal refinance.

This will only be considered where the calculated repayment is less than the current instalment and must be supported by clear notes of discussion with customer regarding any impacts to loan terms and ability to maintain current repayment amount.

If the above items are met, then customer is eligible to utilise the HEL policy.

6. What do we accept as security

All our loans must be secured by a first registered mortgage over real property.

6.1 Acceptable security

To be an acceptable security the real property must:

- Be located within the State of South Australia
- Have a land use code of
 - residential, **or**
 - rural residential, **or**
 - Vacant land (for residential use only)
- Have a total land size of up to 2 hectares (5 acres/20,000 m²)
- Have a floor size of at least 45 square metres, excluding car parks and balconies
- Be owner-occupied (unless it has [tenancy agreement](#), see below)
- Property must be applicants principal place of residence and applicants must not own any other property in addition to this security
- Be connected to electricity and water (or have a [DLA approval](#)).

6.1.1 Tenancy agreements

The property must be owner-occupied unless the purchase contract includes a Tenancy Agreement. We'll accept this if:

- The Tenancy Agreement expires within six months of the settlement date, and
- The borrower agrees to occupy the property within a reasonable time after the Tenancy Agreement expires.

If there's a periodic tenancy, we need evidence that the property will be vacant on the settlement date.

6.2 Unacceptable security

We don't accept a property as security if it is:

- Located outside of South Australia
- A commercial or industrial property
- A unit in strata hotel/motel
- A leasehold property (unless it's Government or Perpetual Leasehold with a term greater than 40 years or the remaining term of the loan)
- A Hammerhead block without connection of all services to the dwelling from the service points, or a fixed price contract for connection of these services.
- A rural property where the loan is supported by income derived from the property
- A rural residential property producing income or that doesn't have water or power connected
- A property with a total area of less than 45 m², excluding car parks and balconies
- Under a time-share arrangement
- A dual-key apartment
- A purchase of a License Agreement for a retirement village, unit or shares where the borrower doesn't have clear title to the property
- A serviced apartment, studio apartment or an apartment subject to a Management Agreement, or any other form of planned unit which is to be acquired under a managed investment scheme
- Moiety title, company or other such title
- Being used as exhibition or display homes.

6.3 Mortgage

We require:

- Security in the form of a registered mortgage over the property that the loan is used to purchase.
- We must be the first mortgagee on all properties used as security.
- All borrowers are jointly and severally liable for the whole of the mortgaged loan.
- We'll consider requests to execute and register subsequent mortgages over the security property. If we agree to the request, we prepare and execute a "Deed of Priority" to protect our priority and interest.
Note: If an existing customer has a current Shared Equity Loan, we will not provide a "Deed of Priority".

6.4 Title

We accept these titles:

- Fee Simple (Torrens title)
- Strata or Community title
- Government or Perpetual Leasehold, if the remaining lease term is more than 40 years

6.5 Ownership

The borrower's full legal name must be:

- identical on the loan application form, credit contract, mortgage documents and property title,
and
- shown on the home purchase contract ('and/or nominee' is acceptable)

If there's more than one owner, the property may be owned either as:

- joint tenants, **or**
- tenants in common (not applicable for Seniors Equity loans)

Note: We don't advise applicants about how to structure the ownership of the property, they must get independent advice.

6.6 Delegated Lending Authority approvals (DLAs)

We need Delegated Lending Authority approval if the property:

- doesn't have existing connections to electricity and water, **or**
- has a Housing Improvement Act order.

Applications requiring DLA approval will need to be sent to **Credit Assessment** for consideration.

6.7 Transportable and kit homes

For transportable or kit homes, as well as the standard insurance described below, the borrower or builder must be fully insured for both the transportation and the set-down of the transportable home.

The building contract must stipulate the insurance provider, and as soon as the transportable home is on the site, the borrower must provide a copy of their own building insurance policy.

We won't provide any money until:

- The home is fixed to the land, **and**
- The borrower shows evidence of formal council approval

Once the transportable home is fixed to the land or construction has started, payment and site inspections will proceed as per the standard construction loan

6.8 Valuations

Property valuation is the method we use to manage the risk of real property security supporting loans.

Except as outlined below, we need a valuation report from an approved panel valuer or the most recent Valuer-General's assessment to determine the acceptable loan-to-valuation ratio (LVR).

Note: We have full discretion to decide whether we need a full valuation.

6.9 When we must have a valuation

We always need a valuation report for:

- [construction loans](#)
- loans for newly constructed or off the plan properties
- refinance, a Seniors Equity Loans or Shared Equity Option
- the loan is not at arm's length (i.e. the vendor and the buyers have a pre-existing relationship, such as family, friends or landlord/tenant)
- Vacant land

6.10 Accepting contract price

In some cases, we'll accept the contract price for an established property in the metropolitan or category 1 location area without needing a full independent valuation.

If there's enough market data to support the contract price, we can forego a full valuation if:

- the property is in the Adelaide metropolitan or category 1 location area (not rural)
 - Refer to the HomeStart Location search to confirm the post code category
 - For Cat 1 regional properties, search the [South Australian Property and Planning Atlas \(SAPPA\)](#) website to ensure the security is in an acceptable location.
- the property is an established property (not construction or off-the-plan)
- the loan is not for refinance, a Seniors Equity Loan or Shared Equity Option
- the loan is at Arm's Length (sold in an informed market, the vendor and buyer do not have a pre-existing relationship e.g. family, friends, or landlord/tenant)

6.11 Valuations for new loans

We accept a Valuer-General's assessment for these maximum LVRs:

Category	LVR
Category 1	65% or less
Category 2	60% or less
Category 3	55% or less
Category 4	45% or less

Note: See our online Location Searches for details of the maximum LVR.

6.12 Property Insurance

Before settlement, the borrower must provide a Certificate of Currency from an APRA-regulated insurer of a current and satisfactory building insurance policy.

The policy must:

- Note HomeStart as an interested party (finance or mortgagee)
- Cover the value of any proposed improvements and land clearance

Note: We don't accept cover notes.

6.12.1 Strata/community-titled properties

We don't need separate insurance for properties under strata/community title if the borrower provides evidence that the dwelling is covered under the strata/community corporate insurance.

6.12.2 Land loans

We don't need insurance for land loans.

6.12.3 Construction applications

All builders must be licensed and adequately covered with Building Indemnity Insurance. The builder must provide a copy of their insurance cover before we'll make any payments to them.

6.13 Right to decline property

We reserve the right to decline any property as security to maintain and uphold sound risk management and lending practices.

7. How much can they borrow

When considering offering a loan, we first verify all acceptable incomes, essential expenses, and debt commitments.

To ensure that we only offer loans that are 'not unsuitable', borrowers:

- can only apply for loan amounts within the parameters of our Loan Calculator
- must meet our requirements for net surplus income

7.1 Borrowing capacity

We assess the borrowing capacity of each borrower. Our standard criteria are based on the percentage of net household income (joint or single) which the borrower can commit to the loan.

7.2 Home Loan calculator

We use our Loan calculator to calculate the maximum borrowing capacity for each of the HomeStart home loan options. This calculation forms the basis of a quote only, and the borrower must demonstrate a net surplus income.

7.3 Maximum loan amounts

We won't lend more than the maximum our Home Loan Calculator allows, based on a percentage of debt to net income and our own product restrictions.

7.4 Net surplus income (NSI)

Borrowers should have at least a 5% net surplus on their net monthly income to cover non-essential expenses. NSI is determined after verification of income, debts and expenses (refer to section [9.3 Verifying Expenses](#) for more detail). Expenses utilise the greater of applicant declared (captured as part of application) or aggregated statements (Illion etc) or the HEM benchmark.

Where NSI is less than 5% a documented conversation with the applicant should be completed to understand if there is capacity to reduce any discretionary expenditure to support their request – any changes are required to be included as part of submission notes and NSI calculation updated to reflect these changes.

Any request will require review and consideration by Credit Assessment.

8. Verifying income

Assessable income for the purpose of calculating product eligibility must include all available household income deemed acceptable as per below. Income deemed acceptable must not be excluded from any calculations for the purposes of maintaining income below product eligibility limits. Income required for serviceability must meet lending policy requirements.

Note: Exceptions to this policy require referral to Credit Assessment with detailed mitigation for consideration.

8.1 Acceptable and unacceptable forms of income

We accept:	We don't accept:
- PAYG income from permanent, full-time or part-time work - PAYG income from other types of work (casual, family, etc.) - PAYG income from other sources (bonuses, allowances, etc.) - Non-PAYG income (sole traders, directors, self-funded retirees, scholarships, etc.) - Government benefit income (e.g. Centrelink, Veterans' Affairs, pensions, etc.)	- Rental Income - Rent Assistance - Higher Duties Allowance – income with an end date - Pharmaceutical Allowance - Interest payments - Dividends - Self-Employment Assistance - Scholarships for the purposes of covering educational expenses only - Special Benefits (typically granted by Centrelink on a short-term basis)

8.2 PAYG Income verification requirements

8.2.1 Minimum work period

To be eligible to apply for a loan, PAYG borrowers must have passed probation.

If they're still on a probation, we will accept applicants who have previously been employed in the same industry for greater than 2 years. Prior employment is confirmed via notes from loan consultant.

Casual employees are required to be employed for a minimum of 6 months.

8.2.2 Second jobs

If a borrower has more than one job, all their jobs must meet the relevant eligibility criteria, (e.g. six months for casual). We will only consider income earned from working up to 50 hours per week. For income earned from working 38-50 hours per week we ask for details of the income and record the borrower's response on the loan application.

8.2.3 Contacting employers

Sometimes we need to contact an applicant's employer if further information is required to ascertain income to service.

If we need to confirm a borrower's income details, we contact employers by either:

- finding the employer's phone number independently (e.g. Google search.) and calling them, or
- sending an email to the employer's business/corporate email address.

8.2.4 Parental leave

When an applicant is taking or planning to take parental leave, HomeStart must be satisfied that they can continue to meet their loan repayments both during the parental leave period and after they return to work.

To use return to work income in the assessment, applicants must provide:

1. Applicant Declaration
Commentary from the applicant confirming: • that they intend to return to work • the date they plan to return to work • that they expect be returning under the same conditions and pay
2. Employment Letter
A letter from the employer confirming: • The position to which the borrower will return to • The intended date of return • The return to work pay and conditions.
3. Repayment Strategy During Parental Leave
The applicant must also provide an explanation and evidence how loan repayments will be met during the period of parental leave. This may come from a temporary income (e.g. Centrelink payments or paid parental leave), from savings, or a combination of income and savings.
Casual income cannot be considered for return-to-work income.

8.3 Document definitions

This table defines the minimum requirements for each of the document types.

Document Type	Requirements
Payslips	Payslips must: • Be the two most recent, consecutive payslips, and • The most recent issued in the last 30 days, and • Show Gross Year to Date (YTD) income
Employer letter or contract	Current Employment Contract, or Letter from employer stating: • Length of employment, and • Annual base salary, and • Type of employment (full-time, part-time, casual, etc.)
Income Statement	Income statement from the most recent financial year. If multiple income statements have been issued in the same financial year, all must be provided when required. Note: The final payslip for the previous financial year may be considered in place of the income statement, providing YTD figures are shown on the payslip.
Tax Returns	Individual tax returns for the last 2 years and the ATO Notice of Assessments. The latest tax returns must be no older than 18 months.
Business Tax Returns	As applicable, the two most recently completed: • Partnership tax returns, and/or • Company tax returns, and/or • Trust tax returns including financial statements (Profit & Loss, and Balance Sheet). The latest tax returns must be no older than 18 months.

8.4 PAYG Income verification requirements

Employment Type	Documents and requirements
PAYG permanent, full-time or part-time (excludes casual)	• Two consecutive Payslips, and • If payslips don't show Gross Year to Date income, we will also require an Employment Contract or Letter from employer.
Casual employment (Minimum 6 months in role required.)	• Two consecutive Payslips, and • Income Statement (only if YTD on the payslip covers less than 6 months). Casual income verification • If YTD is showing on payslips and covers a minimum of 6 months duration, complete the HomeStart YTD calculator. • If YTD is for less than 6 months, then use the lower of YTD via HomeStart YTD calculator, or Income Statement.
Employed in a family business	As per the requirements of the relevant employment type (e.g. full time, casual). In addition: • We always require the current or previous year Income Statement. • A minimum 3 months in role is required for permanent PAYG applicants who are not on probation. • If the two most recent payslips are not available, last two years Individual Tax Returns must be provided

Employment Type	Documents and requirements
Salaried contractors/recruitment agency contractors	Both: - Two consecutive Payslips, and - The previous year Income Statement*. *Where income utilised is >20% higher than prior year tax return this will require additional review by Credit Assessment. Note: If the applicant has less than 2 years history in the current industry/role we also require: - the current Employment Contract, and - if less than 3 months is remaining on the current contract, a new contract or a letter from the employer confirming that contract will be renewed.
School SSO employees	Both: - Two consecutive Payslips, and either - The previous year Income Statement, or - An Employer letter or contract If payslips do not show Gross Year to Date income, an Income Statement for the previous financial year must be provided SSO Verification Unless specified in the contract as being permanent full-time or part-time, with a regular 52-week payment structure, income will be calculated based on a 40-week year.
Relief Teachers	- Two consecutive Payslips, and either - Latest Tax Return, or - The previous year Income Statement Relief Teacher verification Annualise income on current payslip to 40 weeks and use lower of the two
Seasonal workers	Both: - Two consecutive Payslips, and - Two years Tax Returns Calculation of income: - Annualise YTD on payslips - Average out last two years Tax Returns and We use the lower of the two calculations above.
Car allowance	Either: - Two consecutive Payslips, or - Copy of the Employment Contract showing the amount and frequency of the allowance.
Commission, in conjunction with PAYG (Must be received over the previous 12 months)	Both: - Two consecutive Payslips showing that commission is being paid (regardless of regularity), and Latest tax year Income Statement to confirm commissions paid

Employment Type	Documents and requirements
Commission only (Must be received over the previous 12 months)	Both: - Two consecutive Payslips showing that commission is being paid (regardless of regularity), and - Previous financial year Tax Returns <u>Commission only verification</u> Annualise current YTD on payslip and compare the income to the Tax Return and NOA, utilising lower of the two.
Other work-related allowances	Both: - Two consecutive Payslips showing that allowance is being paid, and - Copy of the Employment Contract showing the amount and frequency of the allowance, or - The previous year Income Statement Types of allowances may include - Meal allowance - Leave loading
Salary sacrifice	Last three months' consecutive salary sacrifice statements for Novated Leases
Shift, penalties, overtime	- Two consecutive Payslips, and - If payslips don't show Gross Year to Date income, or where the assessment period is within the first 6 months of the financial year (July to December), they must also provide an Income Statement for the previous financial year. <u>Shift, penalties, overtime verification</u> - To be able to utilise this income source it must be consistently received for the last six months, at a minimum. Note: A maximum of 50 paid hours per week is allowed. If payslips reflect more than 50 hours per week, detailed notes to be added to the application for consideration
Bonus payments (Must be verified as being paid for 2 consecutive financial years)	In addition to verification documents for the base employment: - Previous year Income Statement to confirm actual bonus income being paid. - If Bonus income is significantly higher than previous year, mitigation to support using the higher income is required.

8.5 Non-PAYG Income verification requirements

Calculating Self-employed/Non-PAYG income

We will consider the average of the last two financial years business income (excluding any Government support income)

Interest add-backs

We will only consider interest as a defined add-back if all the associated debt is listed in the liabilities section of the application.

Income and expense variations

If there are variations in income or expenditure levels from one year to the next, or any uncertainty about solvency or negative equity, appropriate notes should be added to the application to support assessment

Employment Type	Documents and requirements
Sole traders	- Two years Tax Returns - The business must have been trading for at least two full financial years. - If significant losses are recorded, and/or downturn in sales trading, mitigation to support required

Employment Type	Documents and requirements
Partners, directors, and trusts	Both: - Two years Tax Returns, and - Two years Business Tax Returns Note: - The business must have been trading for at least two full financial years. - For directors, we conduct an ACN search to confirm that they are a Director and Shareholder of the company.
Scholarships	Both: - Two consecutive Payslips, and - A copy of the contract between the student and the university showing: - The period for which the scholarship will be paid, - The student's obligations, - The amount, frequency and method of payment. Note: The scholarship term must have at least 12 months left to run when they apply and must be for living expenses only
Self-funded retirees	Both: - Evidence of regular income over the previous six months from sources such as superannuation or annuities, and - Details of how this income will continue over the loan term. Note: Borrowers over 50 must also provide an appropriate exit strategy (see Borrowers over 50).
Child Support Payments	- Three months Bank Statements showing the child support payments, and any one of the following: - Statements from the Child Support Agency, or - A Binding Child Support Agreement, or - A Limited Child Support Agreement Note: We will only consider child support income for a child under 16 and can request an exit strategy for a child 10 or older.
Foster care	Evidence from the foster care service confirming the long-term sustainability of payment and placement of the child Note: We will only consider child support income for a child under 16 and can request an exit strategy for a child 10 or older.
Income protection	All of these: - A copy of the policy document, and - A letter from insurance company to confirm income will be ongoing, with no reliance from a medical practitioner, and - Three months bank statements to confirm

8.6 Government Income

For all Centrelink and government payments we need the latest **Centrelink Income Statement** showing:

- The payment amount
- The payment type
- A breakdown of the payments
- The regular benefit paid

The statement must be no more than three months old and confirm the applicants have already received at least one Centrelink income payment.

Note: Centrelink income should be assessed with caution, as payments may be reduced if the individual has an additional source of income.

We may also complete a [Centrelink Rate Estimator](#) to confirm the applicant's entitlements, if:

- The applicants Centrelink or relationship status will change post-settlement
- The applicant's income or employment has recently changed or will change.

The lower of the Centrelink Income Statement and the Centrelink Rate Estimator will be adopted for serviceability purposes.

Income Type	Documents required
Veterans Affairs	Both: • Centrelink or Department of Veteran affairs statement, and • Three months bank statements to evidence income being credited to account
Pensions and allowances	• Latest Centrelink Income Statement. This applies to: • Age Pension • Carer's Allowance* / Carer's Payment* • Disability Pension • Mobility allowance • Widow Allowance • Youth Allowance • Multiple Birth Allowance * If the person being cared for is not a co-borrower, include them as a dependant. If these payments are utilised, we need to understand if they are ongoing and how applicant would meet their loan repayment if no longer in receipt of the income.
Overseas pension	• Six months bank statements showing pension income Note: We will average the income over the previous six months.
Family Tax Benefit – Part A	• Latest Centrelink Income Statement. Note: We will only consider the FTB A benefit for a child under 16 and will request an exit strategy for a child 10 or older.
Family Tax Benefit – Part B	• Latest Centrelink Income Statement. Note: We will only consider the FTB B benefit where the youngest child: • is aged under 11 for partnered applicants, or • is aged under 16 for single applicants. We will request an exit strategy for a child 10 or older.
Single Parent Payment / Parenting Payment Partnered	• Latest Centrelink Income Statement. Note: We will only consider payment for a child 10 and under and will request an exit strategy.
JobSeeker Payment	• Latest Centrelink Income Statement.
Austudy / Abstudy	• Latest Centrelink Income Statement. Note: The borrower must have a secondary income source.

9. Verifying savings, expense and credit history

Format and content of bank statements

Borrowers must provide bank statements for the following:

- Three months bank statements to support applicant deposit
- Three months bank statements for accounts where payroll credits and living expenses are evidenced (narration in notes on any ongoing discretionary transfers).

Note: In addition to traditional bank statements, we will also accept statements from online digital providers (e.g. bankstatements.com, mogo, Illion). Identification of applicants is as per below.

Identification on statements

We only accept statements that have the borrower's initials and surname if we can verify them by cross-referencing supporting documents such as the Centrelink Income Statement (by reference number) and/or salary credits (in line with their payslips).

Transaction lists

We only accept interim statements or transactional statements if:

- we can clearly identify that the transaction record belongs to the borrower, **and**
- we can clearly identify the name of the financial institution, **and**
- the documents show a running balance

9.1 Verifying Savings

We accept	We don't accept
We accept evidence of savings in the following accounts, but the savings must be unencumbered and not used as collateral security for other debts: • bank/credit union/building society accounts • term deposit accounts • CHESS holding statements • investment certificates	These are examples of the types of sources of money that we don't accept as savings: • loans or borrowed equity (excluding equity from existing real estate) • unconfirmed deposits (no gift declaration provided) • life endowment policies or unpreserved superannuation contributions • insurance bonds

Savings held in/as:	Requirements
Bank account	Statements for the last three months
Term deposit	A term deposit certificate showing ownership and that they've held the deposit for more than three months
Real estate sale proceeds	A copy of the Contract of Sale confirming ownership of the property in the name of at least one of the borrowers
Gifts	We accept non-repayable gifts as savings/contribution unless they are from interested parties such as vendors, agents, or builders. Borrowers must ensure: • All gifted funds are deposited into their bank account or their conveyancer's trust account before settlement, and • A completed gift declaration form is provided. Gifted funds already received If the borrower has gifted money in their bank account when they apply, we include the gift as both an asset and as a contribution towards the purchase.

Savings held in/as:	Requirements
	Gifts not yet received If a borrower expects to use gifted funds that they haven't yet received, and/or gifts they've already used as a deposit to the agent or builder, we record these as contributions towards the purchase, we don't list them as an asset
Favourable sales (including from family)	• Vendors may offer a favourable arrangement as part of the property sale. • In this situation, rather than reducing the contract price of the property, the purchase price must match the valuation. • If the vendor forgoes the difference between the contract price and the amount they've agreed to receive from the purchasers, we consider this a gift. • This means that we include the amount as part of the contract conditions, thus creating an 'arm's length' transaction so we can calculate stamp duty on the correct amount. • A registered conveyancer or solicitor must handle the settlement. • A completed gift declaration form for the gifted equity is required.
Community-Held Funds (e.g. Chit Funds or equivalent)	Community-Held Funds may be considered for the as savings/contribution providing the following criteria are met: • A gift declaration form must be held from each party providing funds to the applicants, and • Any ongoing payments the applicants are making to the fund are accounted for in the Declared living Expenses.
Important: as outlined in the Product Information Policy, HomeStart's additional loan options have limits against the amount of retained savings that a applicant can hold prior to the settlement of their loan. When assessing retained savings against these limits, you must include all liquid assets (including but not limited to cash held, term deposits, shares, managed funds, and cryptocurrency). Super is excluded from this assessment. Applicants will need to consider the impact of the need to sell these assets based on their own personal circumstances – for example, tax implications.	

9.2 First Home Buyers and Stamp Duty Concessions

All FHB applicants that are eligible for FHOG and Stamp Duty concessions are required at a minimum to meet the below requirements:

- Applicant must have sufficient funds to pay required deposits and associated upfront costs to builder/vendor of land – applicant to confirm these funds were held in savings or provide gift letter as required (refer lending policy for [verifying savings](#) for more detail).
- Where required deposits and associated fees paid to builder/vendor of land are less than \$3,000, applicant must hold difference up to \$3,000 in their account.
- FHOG is to have 100% funds applied to loan.
- Starter Loan is available to support associated fees for the loan (this is not available to pay costs associated with the build/land loan)

9.3 Verifying Expenses

Applicants must declare all relevant living expenses across the categories below:

Expense types

Expense category	Includes
Food and groceries	Food, groceries, dining out and takeaway meals, including delivery services such as Uber eats, Menulog, etc.
Transport	Vehicle registration, running costs, fuel, and public transport
Clothing	Average family clothing costs
Insurance	Building and contents insurance for the security property, motor vehicle insurance, personal insurance (Health, Life, Sickness and Accident)
Utilities	Known or estimated electricity, gas, council, strata and water rates after settlement for the security property
Rent	Actual rental paid, if it is ongoing (this supports the borrower's ability to make the loan repayments)
School fees	Public/government Primary & Secondary
Child Care/OSHC	Ongoing, expenses for paid care of children (pre-school and school-aged)
Recreation & Entertainment	Expenditure on weekend activities, holidays, and concerts
Telephone/Mobile/Internet/Pay TV/Subscriptions	Mobile phone plans, internet plans, and subscriptions such as Netflix, Stan, etc.
Medical and Health	Ongoing medical costs, medical contingency (excludes personal health insurance), orthodontics / dental
Other Expenses	Any other items (e.g. international funds transfers including via financial institutions such as Western Union, PayPal) Note: Detailed comments / breakdown required so that commitment can be correctly allocated to appropriate category.

Validating expenses

Our responsible lending obligations require us to make reasonable enquiries and verify a borrower's general living expenses.

Review statements for each borrower's transaction accounts to:

- verify the borrower's stated expenses,
- review account conduct for overdrawing's **and**
- identify any liabilities they haven't disclosed elsewhere in the application.

Any instance of non-disclosure must be supported by:

- An explanation for the applicants not declaring the debt, **and**
- A closure letter for the account, **or**
- 3 months statements for the undisclosed debt.

9.4 Verifying Liabilities

All borrower liabilities and debt commitments must be identified, verified where required, and included in the serviceability assessment. The table below sets out the minimum verification and repayment treatment for each liability type.

Debt Type	Requirements	Repayment Calculation
Buy Now Pay Later Accounts	Buy now pay later accounts (such as AfterPay) should be noted and included in the appropriate section of the applicant's declared expenses.	Include in declared expenses
Credit store Card or Zip Pay	Both: • the most recent statement for the payment method, and • the last three months of transactions in that payment method. Note: If the borrower must cancel or reduce the limit of their store or credit cards as a condition of the loan, they must provide documentary evidence showing they've done this.	3.82% of the limit per month
Overdrafts or Lines of Credit	The last three months of transactions for the account showing the credit limit.	3.00% of the limit per month
Centrelink Lump Sum Advances	The latest Centrelink Income Statement showing the amount, type and breakdown of payment.	Deduct the Lump Sum Advance repayment amount from the Centrelink income type.
Centrelink Debt	Both: • Current Centrelink Income Statement showing the amount, type and breakdown of payment, and • Evidence from Centrelink showing the current outstanding balance of the debt. and • If applicant/s are paying off the debt, we need documentary evidence of this. Notes: For Centrelink debts over \$1,000 we need an explanation of how they incurred this debt.	For All Centrelink Debts Use the monthly repayment amount on the statement.
Centrepay Deductions	Documented evidence from Centrelink explaining the nature of all deductions.	Include verified amounts as a living expense or Liability, if applicable.

Debt Type	Requirements	Repayment Calculation
Child Support	The Child Support Agency (CSA) statement or other evidence showing the payment amount and frequency.	Use the payment amount on the statement / documentation.
HECS or HELP	Where HELP/HECS are visible on payslips these must be included in as an expense item in the existing commitments section. If evidence is provided confirming the HELP/HECS debt has been paid out in full then the associated payments can be excluded.	Use the calculated repayment based on the assessed income
Car loan or Personal loan	Either: - The last three months of loan statements showing the minimum monthly payment, or both: - A copy of the loan contract showing the minimum monthly payment, and - Evidence of the last three months of loan repayments from the transaction account.	Current contracted monthly repayment amount
Margin loan	The last three months of loan statements.	Treat as a contingent liability and record the details in the notes
Lease	Both: - the latest Loan statements, and - evidence of the last three months of loan repayments from the transaction account	Current contracted monthly repayment amount
Rent (land-only loans)	Either: - a copy of the Tenancy Agreement, or - a letter from the real estate agent	Current rent amount per month
Hire Purchase or rental agreement	Both: - a copy of the contract, and - evidence of the last three months of loan repayments from the transaction account.	Current contracted monthly repayment amount
Private school fees	Require Statements/Invoice issued by the school. If at end of year and the applicant has not received an invoice for the following year, a copy of the school's fee schedule is required.	Include as a liability using the actual expense as the repayments
Refinancing home loan	All of these: - the latest six months' Home Loan statements, and - evidence of all debts to be repaid, and - evidence that water and council rates are paid up.	New proposed loan payment amount
Hire Purchase or Rental Agreement	Both: - a copy of the contract, and - evidence of the last three months of loan repayments from the transaction account.	Current contracted monthly repayment amount
Other debt commitments or liabilities	A statement or other evidence showing the repayment amount and frequency. Note: refer to the Helpful Tips of the HomeStart Broker website.	Current repayment amount

9.5 Seniors Equity Loans

- The borrower's current Expenses and Liabilities must be declared on the application to establish a satisfactory commitment level (lifestyle habits etc.).
- These do not require further verification except where debts are being repaid by the loan proceeds - these need to be verified as per [Verifying Liabilities](#).

9.6 Verifying credit history

Credit history and credit reports

We obtain a report from a credit reporting agency for all loan applications.

All financial enquiries within the last 6 months must be confirmed as either 'not proceeded' or 'proceeded'.

Any identified liabilities need to be included in the applicant's statement of position and accounted for in serviceability.

All borrowers should have a clear credit history. Where a clear credit history is not evident, we will consider these applications per below. These are required to be referred to Credit Assessment for consideration.

Paid defaults

We'll consider lending to borrowers who have a combined total of paid defaults equal to or less than \$1,000. If the borrower has paid defaults of more than \$1,000, we ask them for a statement explaining the circumstances of the defaults.

Adverse conduct in the credit report

We make further enquiries if the credit report shows any adverse conduct, such as:

- delinquent behaviour
- pending court proceedings
- outstanding defaults

We won't provide any approval until any pending court proceedings are completed and the borrower has paid any outstanding defaults. We then request a new credit report confirming this.

9.7 Bankruptcy and Part IX Debt Agreements

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

Bankrupts discharged for 3 to 5 years

Bankrupts who have been discharged for three-to-five years:

- Must provide evidence of satisfactory conduct of any scheme of arrangement and all debts committed to after discharge, **and**
- must provide evidence of their discharge from bankruptcy, noted on the Credit Report, **and**
- The maximum LVR for these applicants is reduced by 10%

Part IX Debt Agreements

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

- Must have evidence of the finished Part IX Debt Agreement on their Credit Report, **and**
- The maximum LVR for these applicants is reduced by 10%

Savings pattern

We can also ask discharged bankrupts and borrowers who have finished their Part IX Debt Agreement within the last 5 years, to show 12 months of a regular savings pattern in a transaction account before applying for a loan. If the amount withdrawn exceeds the amount deposited within a month on a transactional account, we don't accept this as a savings pattern of regular deposits.

10. Approval/Pre-approval conditions

Before we issue a pre-approval letter or formal loan approval, we need the approval of the Credit Assessment team or an appropriate DLA holder.

- Approvals are valid for 120 days from approval date.
- We only issue a formal approval letter if we have evidence of an acceptable security property.

Before settlement we need:

- valid building insurance policy noting HomeStart as an interested party
- council and development approval for construction
- any other relevant documents (e.g. a First Home Owner's Grant application)

Pre-Approval limits

We only ever grant Pre-Approval twice, and we only ever grant one short-form acknowledgement.

Our credit assessor has full discretion to ask for more information or require a full reassessment. If the borrower can't or won't meet the requirements for a short-form acknowledgement, they must go through a full application

Expiring approvals and extension requests (short-form acknowledgements)

If a pre-approval is approaching its 120 days expiry, the applicant can apply for a short-form acknowledgement to extend it by a further 120 days. To do this they must provide their two most recent payslips to confirm their employment status.

We only offer a short-form acknowledgement if we can confirm:

- we've received a new credit report and investigated any new credit enquiries, **and**
- we've checked the fees quoted for accuracy, **and**
- there's been no adverse change in the applicant's financial position since we completed the application used to assess the pre-approval that could affect their ability to repay the loan, **and**
- there has been no change to the applicant's requirements or objectives in obtaining a loan, **and**
- the applicant is not aware of any foreseeable change in circumstances which would affect their ability to repay the loan, **and**
- the applicant can meet the proposed extension without substantial hardship.

10.1 Relationship breakdowns and separations

We can consider pre-approval for a loan to be refinanced because of a relationship breakdown or divorce, however, will not complete a valuation at this stage.

To proceed to full approval, we require:

- A copy of the Minutes of Order from the Federal Circuit Court of Australia or the Family Court of Australia, **or**
- A copy of a Binding Financial Agreement/Consent Order, or a Statutory Declaration from the non-purchasing party, stating how much they will accept and acknowledging that they are entirely relinquishing their interest in the property, **and**
- A full valuation will be completed as part of the full approval process.

11. Definitions

Term	Definition
Borrower	Each of the applicants (a person or persons applying for a loan with HomeStart) who subsequently enter into a HomeStart loan. For the purpose of this policy a borrower is a consumer under the National Consumer Credit Protection Act 2009 (Cth)
Current	No more than one month from the date of the application
Delegated Lending Authority (DLA)	HomeStart Employee with authority to decision lending applications
Dependant	Is a person who relies on someone else for financial support and can include children or other relatives
Direct relative	A mother, father, son, daughter, brother, sister, or grandparent
ESL	English as a second language
Hammerhead Block	Any block without a street frontage (excluding access roads and easements)
HIA	Housing Institute of Australia
Housing-related debt	A debt which requires payout of an existing mortgage under finance. Marital/de-facto property settlements and associated costs may be regarded as a housing-related debt
Land use code	The code defined by the South Australian Land Services Group used to classify a property within a zone
Loan Consultant	A person accredited by HomeStart to write HomeStart home loans
Loan to Value Ratio (LVR)	The value, as a percentage, of the loan amount against the security valuation, as determined by either a licensed valuation from a panel valuer, valuer general's assessment or purchase price, whichever is the lesser amount
Security Value	The determined monetary value placed upon the property that is held as security
Transportable	Dwellings that are transported (partly or wholly pre-assembled) to a site then installed
Zoning	The code used to establish the use/s of a given property within a township boundary (i.e. residential, commercial, etc.)

12. Related Policies

We expect all employees applying this lending policy to understand and follow all the related policies defined in these policy documents:

- Behaviour and Conduct Policy
- Gifts & Benefits Policy
- Compliance Policy
- Credit Management Policy
- Customer Identification Policy
- Privacy Compliance Policy
- Complaints Management Policy
- Data Breach Response Plan Policy
- Product Information Policy

13. Roles & Responsibilities

Position Title	Responsibility
Chief Risk Officer	Monitoring this policy to maintain its accuracy, and review it on an ad-hoc basis
Brokers and relevant HomeStart employees	Following the policy
Credit Advisory Group	Recommending amendments
Executive Committee	Approving amendments
Board Committee	Approving any proposed change to the policy that materially affects HomeStart's credit risk appetite