



Community First Bank Lending Procedures and Verification Manual – Third Party Publication

This credit policy is Commercial-in-Confidence. The contents must not be communicated or shared for purposes other than consumer credit origination and must be utilised in accordance with Mortgage Origination, Introducer or Referrer Agreements.

This policy is effective February 2025

MP46.01 (reserved)

MP46.02 (reserved)

MP46.03 (reserved)

PM46.04 Risk Assessment

(a) When verifying information, consideration should be given to:

- (i) the channel of the information (e.g. face-to-face or internet application);
- (ii) the source of the information (e.g. member or independent third party);
- (iii) the context in which the information was received (e.g. as part of the application or separate to the application);
- (iv) the rules agreed in the Community First Credit Decision Model (NCDM)

(b) Verification involves:

- (i) confirming the information provided is accurate;
- (ii) checking for potential false information (e.g. alterations to employment or income details); and
- (iii) being alert to inconsistencies in the information provided and collected (e.g. material discrepancies between information from different sources)

MP46.05 Verification of Identity

Community First must be reasonably satisfied that the application for credit is genuine.

MP46.05.1 (reserved)

MP46.05.2 (reserved)

MP46.05.3 (reserved)

MP46.06 Verification of Purpose

Community First should be reasonably satisfied that the funds are provided in accordance with the stated purpose and in accordance with the member's instructions. Where the beneficiary of the loan differs from the purpose (seller of the asset) then approval from Head of Credit or an Executive is required.

MP46.07 Verification of Character

One of the tests in the Consumer Credit Assessment Principles is 'Character'. It comprises two tests:

- (i) credit reference; and
- (ii) account history

As a general rule, past performance is the best indicator of future behaviour. Therefore it is important to assess the way a member has conducted their accounts in the past and/or assess their appetite for credit to give an indication of how they will conduct the proposed facility in the future.

MP46.08 Credit Bureau Reports

A credit bureau report on the proposed borrower or borrowers, and where applicable each guarantor, is required for every application for credit.

Credit bureau reports are to be clear of any adverse listings that are unpaid, settled, remain unsatisfied or undischarged.

MP46.08.1 What is to be verified?

A credit reference check must be obtained on all borrowers, guarantors and related companies and must be clear of any defaults that are unpaid, settled, formal insolvency administrations (e.g. bankruptcy, Part IX agreements), Judgements or Writs. Where a paid default is evident, the application may be considered, subject to the following criteria:

- (a) Defaults must not have been lodged by or in relation to debts owed to ADI's, non-bank lenders, Credit Card providers, Debt Purchasing or Collections businesses
- (b) Applications must still meet the acceptable Bureau Score under scorecard benchmarks within the Community First Decision Model.
- (c) Subject to the rules agreed in the Community First Credit Decision Model (NCDM) and the processes covered in the Decision Intellect procedures manual the applicant's credit file is to be used to check each of their credit application enquiries over the last 3 years to verify it has been included on their application. Where a credit enquiry has not been included in the application, enquiry is to be made with member as to the outcome of the enquiry and an explanation for that conclusion must be recorded and retained on the loan file.

MP46.08.2 Match credit reference to borrower

The first step in the verification process is to ensure that the credit reference relates to the borrower. This involves matching at least 3 identifiers (e.g. name, address, date of birth, employer and driver's licence) from the report to the borrower.

MP46.08.3 (reserved)

MP46.08.4 Unacceptable Credit Bureau listings

Unacceptable credit bureau report listings are categorised as:

- a) **Adverse** (Paid Default)
- b) **Serious Adverse** (including but not limited to Paid Judgement Defaults, Writs, Court proceedings of any kind) or
- c) **Significant Adverse** (any formal insolvency administrations such as Bankruptcy, Part IX agreements etc., any Adverse or Serious Adverse listing which has not been paid in full) or has been lodged by or in relation to debts owed to ADI's, non-bank lenders, Credit Card providers and Debt Purchasing or Collections businesses).

Where an Adverse or Serious Adverse listing is evident on the applicants Credit Bureau Report, the application may be considered, subject to the default to have been paid at least 12 months prior to the date of application

Where a **Significant Adverse Listing** is evident on the applicants Credit Bureau Report, the application will not be considered until such times as the applicants Credit Bureau Report is free from any Significant Adverse Listing.

All applications must still meet the acceptable Credit Bureau Score under scorecard benchmarks within the Community First Decision Model

Where an application is submitted for approval with any Poor bureau listing, applications may be approved within existing Delegated Authorities.

Credit bureau reports are to be obtained on all names the proposed borrowers and/or guarantors has been known by. This includes maiden names and name changes. When the credit bureau report on the proposed borrower or guarantor reveals that the proposed borrower or guarantor has an interest in a partnership or company (e.g. director) and:

- (i) the partnership or company income is required to support the application; or

- (ii) the purpose of the facility is of a non-personal nature;
- (iii) A credit reference report on that partnership or company must be obtained.

All available internal and external account history documentation is to be checked to ascertain the willingness of the member to meet their contractual obligations on a timely basis. This may include statements for prior and/or current credit facilities or utilities (e.g. telephone, electricity, gas). System messages must be checked for possible fraudulent activity or poor account history.

Where adverse listings are evident but the application is considered an acceptable credit, an explanation for that conclusion must be recorded and retained on the loan file.

MP46.08.5 (reserved)

MP46.09 Account History

MP46.09.1 What is to be verified?

- (a) The primary verification involves being reasonably satisfied that the member conducts their accounts in a satisfactory manner (i.e. there are no arrears, accounts are conducted within arrangements).
- (b) The secondary verification involves using information gleaned from the statements with:
 - (i) information provided in the application (e.g. are there additional direct debits for borrowings that have not been disclosed in the application which means that the commitments used in the approved servicing calculator have been understated with the result that the Assessed Repayment Ability is overstated);
 - (ii) Location and frequency of withdrawals (e.g. gambling establishments) that may give rise to concerns about the integrity of the stated purpose or the capacity to repay.

MP46.09.2 Verification methods

- (a) Verification of account history may be satisfied by one or more of the following methods:
 - (i) Reviewing at least 6 months of electronic statements, , from the Community First for evidence that accounts have been conducted within arrangements and that loan repayments have been maintained; or
 - (ii) Reviewing at least 6 months of electronic statements from another financial institution for evidence that accounts have been conducted within arrangements and that loan repayments have been maintained. This is of particular importance where a refinance or debt consolidation is involved.
 - (iii) Reviewing the most recent electronic statement of any home loans held with any Other Financial Institutions (OFI) that is not being refinanced to Community First.
- (b) The statements are to be reviewed to ascertain if they contain any evidence of any of the following:
 - (i) there has been one or more “overdue” payments (i.e. 7 or more days overdue); possibly evidenced by arrears or default fees;
 - (ii) a missed repayment remains unpaid;
 - (iii) there are one or more dishonoured transactions; or
 - (iv) the account or loan, is, or has been, outside of the approved limit or scheduled balance during the previous 12 month period
 - (v) Incorrect OFI loan balances or repayments disclosed within the loan application

MP46.09.3 Secondary verification

- (a) As noted above, additional information may be gleaned from the statements that provide an opportunity to verify such things as:
- (i) the integrity of the stated purpose of the facility; and
 - (ii) the accuracy of expenditure disclosed in the application

MP46.09.4 If unsatisfactory conduct

Where unsatisfactory elements are evident but the application is considered an acceptable credit, an explanation for that conclusion must be recorded and retained on the loan file. If inconsistencies in the information provided in the application and the statements are identified, these must be adequately resolved and an explanation of the resolution retained on the loan file.

MP46.10 Verification of Employment

Community First must be reasonably satisfied that the member is employed as their employment provides an income stream to meet the repayment of the proposed credit facility as well as the member's ongoing expenditure (i.e. living expenses and commitments).

MP46.10.1 What is to be verified?

- (a) This involves being reasonably satisfied that the member is employed as per their application

MP46.10.2 (reserved)

MP46.10.3 Via income from same employer

If the member has been employed by the current employer for two or more years, verification of employment may be implicitly satisfied by verification of the member's income as per sections 46.11 Verification of Income, 46.12 PAYG Income and 46.13 Additional Elements of PAYG Income.

MP46.10.4 Via taxation records

If the member has been employed by one or more employers in the last two years, verification of employment may be satisfied by taxation records and/or employment contracts for the relevant period.

MP46.10.5 Part time or casual employment

If the member's employment is part-time or casual, then in addition to meeting one or more of the criteria above, the frequency of work (e.g. hours per week, fortnight or month) and the hourly rate along with whether the job is permanent, regular or irregular will need to be verified. This may be satisfied by a letter from the employer.

MP46.10.6 Self employed

If the member is self-employed, be it a sole trader or a partner in a partnership, verification of their employment may be implicitly satisfied by verification of the member's income as per sections 46.12 Verification of Income and 46.17 Self Employed Income.

MP46.10.7 (reserved)

MP46.10.8 When is Employment Verification completed?

Verification of Employment is to be completed under the following circumstances:

- (i) All mortgage borrowers who have been in their current employment less than 12 months at the date of applications;
- (ii) All mortgage loan applications with an LVR > 80%

MP46.10.9 Minimum Employment Requirements – non-mortgage loans and mortgage loans with an LVR 80% or less

Employment Type	Requirements
PAYG Income Earners	<ul style="list-style-type: none"> • Minimum 6 months with current employer OR • Minimum 12 months continuous employment in the same industry <p><i>For clarity, where an applicant changes employment but meets this policy, employment is deemed to be “continuous” where there is a gap of no more than 4 weeks between the conclusion of their previous position & the commencement of a new position</i></p> <p><i>A PAYG Income Earner is defined as an individual whose employer make Tax and Superannuation payments on behalf of the income earner. To be considered a PAYG income earner, the income earner must not hold a position or shareholding within the business that allows the income earner to exert control over the employer.</i></p>
Self Employed	<ul style="list-style-type: none"> • Minimum two financial years trading in the current business; or • At least one financial years trading in the current business and at least two years in previous employment within similar occupation/field.
Probation Periods	<ul style="list-style-type: none"> • Where the borrower is within a probation period, application may be considered based on the merits and strength of the borrower’s overall position • Applicants on probation are not acceptable for LMI-insured loans under any circumstances

MP46.10.10 Minimum Employment Requirements – mortgage loans with an LVR greater than 80%

For all mortgage loans with an LVR greater than 80%, minimum employment requirements must (without exception) meet the minimum employment requirements of Community First’s approved mortgage insurer (currently QBE LMI)

MP46.11 Verification of Income

Community First must be reasonably satisfied that the member’s income is:

- (a) sufficient to repay the proposed credit facility as well as meet the member’s ongoing expenditure (i.e. living expenses and commitments); and
- (b) legitimate

MP46.11.1 Unacceptable Income

Income is considered unacceptable when the income is:

- (i) Received from any illegal or illegitimate source
- (ii) Winnings from wagering or gambling
- (iii) Received from Boarders (except as permitted under MP46.20)
- (iv) Unemployment Benefits
- (v) Scholarships

- (vi) Not declared in taxation records
- (vii) Borrowings of any kind, including Centrelink Home Equity Access Scheme payments

MP46.11.2 What is to be verified?

- (a) This involves being reasonably satisfied that the member's income is:
 - (i) in accordance with the amount stated on their application;
 - (ii) from a legitimate (e.g. not illegal) source; and
 - (iii) is recurring income
- (b) It is acceptable for the member to use rounding in their application in relation to their income. It is not acceptable that the income be materially overstated in their application, especially where the stated level of income is insufficient to meet their living expenses and existing and proposed obligations.
- (c) The source (e.g. employer, rental property, investment) and level of income (i.e. amount) verified should be in accordance with the source and level of income stated in the application. This involves checking that:
 - (i) the name of employer on statements, payslips etc is consistent with the name of the employer on the application; and
 - (ii) the level of income is consistent with the amount of income stated in the application

MP46.11.2 How much to verify

Community First must be reasonably satisfied that the member's income is sufficient to repay the proposed credit facility as well as meet the member's ongoing expenditure (i.e. living expenses and both existing and proposed commitments).

This is determined by the Assessment Repayment Ability (ARA) which requires both income and expenses, including commitments

MP46.11.3 (reserved)

MP46.12 PAYG Income

- (a) Verification of all PAYG income may be satisfied by one or more of the following methods:
 - (i) The two most recent payslips (not exceeding the last two paydays) for the member showing, as a minimum, the member's name, employer's name and ABN, and the member's year-to-date income.
- (b) An additional validation check may include confirmation that the ABN is current and correct (i.e. applies to that employer).
- (c) If verification is unable to be satisfied as per the above, at least **two** of the following **must** be obtained for each borrower:
 - (i) The most recent payslip showing, as a minimum, the member's name, employer's name and ABN, and the member's year-to-date income.
 - (ii) Employment contract;

- (iii) PAYG Payment Summary or Tax Assessment Notice;
 - (iv) Letter from the employer that is on the employer's letterhead and contains details of gross annual income (identifying any base income separately), role, or position, length of employment, the basis of employment (full or part time or casual) and breakdown of the salary package (if applicable).
- (d) The above documents should be reviewed, as applicable, to ensure that:
- (i) the income is consistent with the year-to-date figure appearing on the payslip;
 - (ii) the employer's full details (business name, ABN and contact details are clearly stated);
 - (iii) the employment contract and/or letter from the employer is signed and dated; and/or
 - (iv) the employer is a registered business (i.e. the ABN is current and correct)
- (e) Subject to the rules agreed in the Community First Credit Decision Model (NCDM) income may also be verified via:
- (i) For an existing member if their pay is into a Community First Account evidencing and noting salary payments in the last 3 months from Community First bank statements;
 - (ii) At least 3 months of electronic statements from another financial institution showing the continuity of the member's pay from the relevant employer being credited to the member's account with that other financial institution.
- (f) Additional validation checks may include confirmation that:
- (i) the BSB number (bank and branch) are correct;
 - (ii) the debits and credits are consistent with the borrower's occupation and expected expenses;
 - (iii) the debits and credits total to the balances;
 - (iv) the total debits and credits per statement total to the total in the statement; and
 - (v) the document is aligned and the font is consistent
- (g) For applicants who are employed by family members, family-related or family controlled entities or have a workplace reporting line to a relative or family member, the following additional documentation is required to verify the applicant's income:
- (i) Most recent Personal Tax Return
 - (ii) Most recent ATO Tax Assessment Notice

MP46.13 Additional Elements of PAYG Income

MP46.13.1 Regular overtime

If regular overtime is relied upon to prove servicing (i.e. it is required to achieve a positive Assessed Repayment Ability), receipt of the regular overtime must be evidenced that it is consistent and ongoing.

MP46.13.2 Regular casual income

If regular casual income is relied upon to prove servicing:

- (a) receipt of the regular casual income must be evidenced from payslips or taxation records and that it is consistent and ongoing (refer MP46.13.5 below); and
- (b) the member must have been employed as a casual for at least 6 months as evidenced by payslips or taxation records

MP46.13.3 Irregular casual income

If irregular casual income is relied upon to prove servicing, receipt of the irregular casual income must be evidenced from payslips or taxation records, and it must be consistent and ongoing (refer MP36.13.5 below).

Note, irregular casual income is not generally acceptable income for assessment purposes unless approved as an exception.

MP46.13.4 Commissions and/or bonuses

If regular commissions or bonuses are relied upon to prove servicing, receipt of the regular commissions or bonuses must be evidenced from payslips or taxation records, and it is consistent and ongoing, or a condition of employment verified by the employment contract or a letter from the employer.

MP46.13.5 Verification of variable income

Applications submitted prior to 1st November annually

Where an applicant is in receipt of variable income (overtime, commissions, bonuses etc), the applicants Notice of Assessment or PAYG Payment Summary for the immediate past financial year is required to identify the amount of variable income paid in the previous financial year (Payment Summary / NOA income less base income = variable income).

Applications submitted on or after 1st November annually

Where an applicant is in receipt of variable income (overtime, commissions, bonuses etc), the applicant's income is to be verified by annualising the applicant's year-to-date income from their most recent payslip to identify the amount of variable income paid in the current financial year (Annualised YTD income less base income = variable income).

MP46.14 Rental Income

- (a) If rental income from an investment property is being relied upon to prove servicing, it must be evidenced through one of the following sources:
 - (i) Rental income statements;
 - (ii) Member's taxation records;
 - (iii) Valuation report;
 - (iv) Evidenced through bank statements.
- (b) Existing rental may also be verified by one of the following methods:
 - (i) At least 3 months of electronic statements, from Community First showing the continuity of the rental income from the relevant property being credited to the member's account with Community First;
 - (ii) At least 3 months of electronic statements from another financial institution showing the continuity of the member's rental income from the relevant property being credited to the member's account with that other financial institution.

If multiple sources of evidence are available, the lower rental amount must be used

MP46.15 Investment Income

- (a) If investment income from investments (e.g. shares, managed funds) is being relied upon to prove servicing, it must be consistent and ongoing and evidenced accordingly.
- (b) If multiple sources of evidence are available, the lower investment income amount must be used in all cases.
- (c) The member must also demonstrate that the investments have been held for a minimum of six months. This may be achieved via statements or certificates or the member's taxation records.

MP46.16 Pensions and Benefits

- (a) If income from a pension or benefit, includes both a Government, Centrelink payments such as family allowances, Foster Carer payments or non-Government pension, is being relied upon to prove servicing, it must be verified through one of the following sources:
 - (i) Payment statements; or
 - (ii) Centrelink Statements; or
 - (iii) Member's taxation records; or

All pension income must be consistent and ongoing and evidenced by one of the following:

- (i) At least 3 months of statements, electronic or paper, from Community First showing the continuity of the member's pension from the relevant superannuation fund or Government being credited to the member's account with Community First;
- (ii) At least 3 months of statements from another financial institution showing the continuity of the member's pension from the relevant superannuation fund or Government being credited to the member's account with that other financial institution;
- (iii) Written confirmation from the government department or Foster Care organisation confirming entitlement.

MP46.17 Self Employed Income (Sole Trader or Partner in a Partnership)

- (a) If self-employed income, be it a sole trader or a partner in a partnership, is being relied upon to prove servicing for a mortgage secured loan, it must be verified by personal and business taxation returns along with "Notice of Assessment" for the two most recent financial years.
- (b) Interim financials only are unacceptable, however where current year or the immediately past financial years tax returns have not been completed obtaining of the quarterly BAS statements may assist in determining ongoing level of turnover in the business.
- (c) Note that where a member only has twelve months trading in the current business the application may be considered, based on the member's self-employed circumstances and the overall strength of the application. In these cases, the strength of the application may be supported by the BAS lodged with the ATO, inclusive of evidence of lodgement for the last twelve months, with a strict minimum of two quarterly lodgements.
- (d) The documents must be reviewed in order to ensure that:
 - (i) the accountant's details are clearly stated on the documents;
 - (ii) the member has a registered ABN for a minimum of twelve months; and

- (iii) the member is registered for GST for a minimum of twelve months
- (e) Information about ABN and GST are available from:
 - (i) Australian Business Register; and
 - (ii) Australian Taxation Office.
- (f) In addition to the above, where self-employed income is relied upon to prove servicing, evidence of insurance for income replacement in case of sickness or accident may be required. This may be achieved by a certificate of insurance
- (g) At the time of application, supporting business financials can be no older than 18 months old
- (h) Where self-employed income is being relied upon for a non-mortgage secured loan, the self-employed income may be assessed using the 100% of most recent Tax Assessment Notice. If this income verification method is being used for applications submitted after 1st January, the most recent prior years Notice of Assessment is required (*ie if the loan is assessed on 31st December 2022, the 2021 Notice of Assessment may be used. However, if the loan is assessed on 3rd January 2023, the 2022 Notice of Assessment must be used*).
- (i) Where an applicant is the owner / director of businesses other than the business from which they generate income being used to service their current and proposed loans (i.e. shelf companies, asset holding vehicles or “side hustles”), the financial status / health of those can be satisfied by the applicants providing an “Accountants Letter” confirming that those businesses have no debts for which the applicants are responsible and that those businesses are operating profitably. If the applicant’s accountant is unwilling or unable to provide such a letter, then full financial documentation for all businesses will be required to confirm affordability.

MP46.18 Company Director Income

- (a) If company director income is being relied upon to prove servicing, it must be evidenced as consistent and ongoing supported by personal and, business taxation returns along with “Notice of Assessment” for the corresponding years, a current balance sheet and profit and loss statement for the business. Interim financials may be used to support that evidence.
- (b) The documents must be reviewed in order to ensure that:
 - (i) the accountant’s details are clearly stated on the documents;
 - (ii) the company has a registered ABN; and
 - (iii) the company is registered for GST for a minimum of twelve months
- (c) Information about ABN and GST are available from:
 - (i) Australian Business Register; and
 - (ii) Australian Taxation Office.
- (d) The company must be a registered company and verified via an ASIC search.
- (e) Authority to conduct a Credit Reference under the directorship pertaining to the company must be obtained.

MP46.19 Child Maintenance / Child Support

- (a) If child maintenance or child support payments are being relied upon to prove servicing, it must be evidenced by bank statements showing three months of payments in line with the court order or Centrelink confirmation.
- (b) The documents must be reviewed in order to ensure that:
 - (i) the member's details are clearly stated on the documents;
 - (ii) the details are consistent with details as provided by the member; and
 - (iii) the payments are considered permanent and ongoing

MP46.20 Income Assessment

The following table outlines how differing income types are to be assessed when input into Community First lending origination platform (Illion Decisioning).

Income Type	Requirements
Salary and wages.	<ul style="list-style-type: none"> • 100% can be used in serviceability.
Overtime and Allowances	<ul style="list-style-type: none"> • 80% can be used in affordability assessment if the payment is regular and ongoing from the applicant's current employer. This will need to be evidenced over the preceding 12 months to confirm consistency. The average of overtime and allowances over the preceding 12 months will be used for Affordability Assessment purposes. • 100% may be used in affordability assessment if the borrowers' employment is in the Emergency Services (e.g. Ambulance, Police Service, Nursing, Fire and Rescue, Corrective Services and Australian Defence Force) or for occupations where Overtime is deemed a condition of employment (e.g. Public Transport drivers) • 100% of overtime may be utilised for applications where the borrowers Bureau Score is 800 or greater
Car Allowance	<ul style="list-style-type: none"> • 100% can be used in affordability assessment if the payment is regular and ongoing (evidenced via employment contract payslip or PAYG Payment Summary (maximum LVR for this policy is 80% due to LMI policies)
Mileage Reimbursement	<ul style="list-style-type: none"> • Mileage reimbursement is unacceptable income and may not be included Affordability Assessments.
Commission	<ul style="list-style-type: none"> • 80% of commission can be used in serviceability if received for a minimum of 12 months from the applicant's current employer. This will need to be evidenced over the preceding 12 months to confirm consistency. The average of commissions received over the preceding 12 months will be used for Affordability Assessment purposes • 100% of Commissions may be utilised for applications where the borrowers Bureau Score is 800 or greater
Bonus	<p>80% of bonus income can be used in serviceability if received over the previous two financial years from the applicant's current employer. This will need to be evidenced over the preceding 2 years to confirm consistency. The average of bonuses received over the preceding 2 years months will be used for Affordability Assessment purposes</p> <ul style="list-style-type: none"> • 100% of Bonus income may be utilised for applications where the

	borrowers Bureau Score is 800 or greater
Fully maintained company vehicle (PAYG borrowers only)	<ul style="list-style-type: none"> • \$5,000 per annum can be added to gross taxable income; • Vehicle must be available for unrestricted private use;
Employer Maternity Leave Payment/Paid Parental Leave Payment	<ul style="list-style-type: none"> • 100% of non-working parents verified return-to-work income may be included in the Affordability Assessment, provided: <ul style="list-style-type: none"> (i) Written confirmation from employer is held confirming return to work date and employment conditions (e.g. full time / part time, number of days to be worked and return to work income) (ii) Confirmation from borrowers that they have sufficient cash resources to cover all financial commitments between settlement and non-working parents return to work date.
Investment income (interest, dividends)	<ul style="list-style-type: none"> • 80% of income if received over the previous two financial years. This will need to be evidenced over the preceding 2 years to confirm consistency. The average of investment income received over the preceding 2 years will be used for Affordability Assessment purposes
Child Support/child maintenance payments	<ul style="list-style-type: none"> • 100% accepted if the payments are for children aged 12 years or younger at the date of application
Social Security Benefits / Government Income (including foreign government pensions)	<ul style="list-style-type: none"> • 100% accepted where it is considered to be a stable income source
Family Tax Benefit	<ul style="list-style-type: none"> • 100% accepted if the payments are for children aged 12 years or younger at the date of application.
Foster Carer Payments	<ul style="list-style-type: none"> • Income recipients must have permanent custody of the Foster child / children until they are 18 years of age. • 100% accepted if the payments are for children aged 12 years or younger at the date of application. •
Rental Income (including rental income from overseas properties)	<ul style="list-style-type: none"> • 80% of gross rental income from residential investment property • 60% of gross rental income from commercial property 60% of gross rental income received from short term rental arrangements (e.g. Air B'n'B, Stayz etc) and the income must be declared in applicants tax return) • Rental income from Owner Occupied properties is unacceptable, except where income is from a self-contained dwelling on the owner occupied property (e.g. Granny Flat). Rent to be confirmed from lease agreement and tax return and accepted at 80% of gross rental income. Rental income from second self-contained dwellings (e.g. Granny Flats) to be erected will not be accepted for Affordability Assessment purposes
Overseas Rental Income	<ul style="list-style-type: none"> • Where acceptable foreign income is included in the Affordability Assessment, such income can only be included on the following basis: • Income must be verified in accordance with Community First policy for

	<p>the same category of income sourced in Australia.</p> <ul style="list-style-type: none"> • The foreign income must be converted from the home currency to Australian Dollars and a discount of 20% applied to the AUD-equivalent income (AUD Converted Income) • Community First policy discounts / haircuts are to be applied to the “AUD converted income” • Only foreign income sourced in the following currencies is acceptable to Community First: <ul style="list-style-type: none"> (a) NZ Dollars (b) US Dollars (c) British Pounds (d) Euros (e) Japanese Yen (f) Canadian Dollars
<p>Self-Employed (Mortgage-secured loans)</p>	<ul style="list-style-type: none"> • 100% of Company / Business profits – the lesser of current year or previous year plus 20% to be used <p>For Example:</p> <ul style="list-style-type: none"> • 2017 - \$100,000 • 2018 - \$115,000 Use 2018 Income • 2017 - \$100,000 • 2018 - \$150,000 Use \$120,000 (2017 + 20%) • 2017 - \$100,000 • 2018 - \$ 95,000 Use 2018 Income <ul style="list-style-type: none"> • 100% of Income/salaries of directors (where not already included in income calculations). • 100% of Interest paid on debt being refinanced • 100% of Depreciation (to be added back to each year’s NPBT to calculate gross income for assessment prior to application of 120% rule) – depreciation addback must be assessed as taxable income • Non-recurring expenses (confirmation from borrower’s accountant required). • Directors Superannuation contributions in excess of the compulsory Superannuation payments added back to taxable income <p>Important notes</p> <ul style="list-style-type: none"> • When assessing acceptable business income for self-employed applicants, all income used must be directly proportional to the applicant’s share of the business • For addbacks to be included for Affordability Assessment purposes, applicant’s shareholding must be sufficient for them to exercise control over the distribution of profits etc for the business (i.e., no less than 50% share) • At the time of application, “current year” business financials can be no older than 18 months old. <i>(If the loan is assessed on 31st December 2022, the 2020 and 2021 Business Financials, Tax Returns and Notice of Assessment may be used.</i>

	<p><i>However, if the loan is assessed on 3rd January 2023, the 2021 and 2022 Financials, Tax Returns and Notice of Assessment must be used)</i></p> <p>Where the <u>most recent years</u> Notice of Assessment is required but is not available (due to Tax Returns not being lodged with the ATO), the most recent years Financials, Tax Returns and a letter from the applicants Tax professionals confirming that the financial documents submitted to Community First will be submitted to the ATO (without modification) will be an acceptable substitute for the most recent year Notice of Assessment</p>
<p>Self-Employed (Non-mortgage secured loans)</p>	<ul style="list-style-type: none"> • 100% of most recent Tax Assessment Notice If this income verification method is being used for applications submitted after 1st January, the most recent prior years Notice of Assessment is required (<i>ie if the loan is assessed on 31st December 2022, the 2021 Notice of Assessment may be used. However, if the loan is assessed on 3rd January 2023, the 2022 Notice of Assessment must be used).</i> • If a non-mortgage secured loan is not affordable using most recent year NOA, full financials for past 2 years are to be obtained if addbacks are required for affordability assessment (as per policy for mortgage-secured loans)
<p>Workers Compensation / Income Protection Insurance payments</p>	<ul style="list-style-type: none"> • 100% of any payments made by Insurer, subject to: <ul style="list-style-type: none"> (i) Written confirmation from Insurer of policy payments, including remaining term of payments (ii) Confirmation from borrower regarding anticipated return to work date (iii) All income to be assessed as “Taxable” income <p>Where illness / injury is permanent and a return to paid employment is not possible, approved loan term is not exceeding remaining term of policy payments.</p>

MP46.21 Verification of Assessed Repayment Ability (ARA)

- (a) Community First must be reasonably satisfied that the member’s income is sufficient to repay the proposed credit facility as well as meet the member’s ongoing expenditure (i.e. living expenses and both existing and proposed commitments).
- (b) The approved servicing calculator assesses the member’s ability to repay the proposed credit facility. The approved servicing calculator requires both the member’s income and expenses, including their living expenses and both their existing and proposed commitments.
- (c) A member would be expected to meet their obligations when the Assessment Repayment Ability (ARA) is positive.
- (d) Accordingly, it is important to verify both sides (i.e. income and expenses) of the servicing calculation.
- (e) Applicants Living Expenses are to be interrogated against the applicant’s electronic transactional bank account and credit card statements (where applicable) to confirm the veracity / accuracy of the Declared Living Expenses.

- (f) When assessing the Assessed Repayment Ability for Bridging Loans, the ARA is to be assessed on the following basis:
 - (i) Where an end-debt will remain post sale of the applicants existing property, the ARA is to be assessed using the end debt, assessed as an ongoing mortgage loan over the requested / approved term
 - (ii) Where no end debt will remain post sale of the applicants existing property, no ARA assessment is required, as the entire debt will be repaid in full upon sale of the applicants existing security property.

MP46.21.1 Minimum ARA

The minimum ARA amount to be verified is the minimum amount specified by the staff member approving the proposed credit facility. The minimum amount to allow for any fluctuation in expenses must be at least \$200 for mortgage loans (except for members with a Credit Bureau score greater than 800 – refer “Attachment A”).

MP46.21.2 Expenses understated

If during the verification process, expenses used in the servicing calculation are considered to be materially understated, then the servicing calculation needs to be redone to ensure that the member’s income is sufficient to repay the proposed credit facility as well as meet the member’s ongoing expenditure

MP46.21.3 Additional new expenses identified

If during the verification process, additional new expenses are identified that have not been included in the serving calculation, the servicing calculation will need to be redone to ensure that the member's income is sufficient to repay the proposed credit facility as well as meet the member's ongoing expenditure. Any commitments identified as "Buy Now-Pay Later" obligations are to be included in the Living Expenses as a separate listing, under the "Other" Category

MP46.21.4 Assessment of HEM / Declared Living Expenses

Where an application is received in a single borrower's name but that borrower is in a relationship (ie married, defacto etc), the applicants Living Expenses are to be assessed in accordance with their family situation (ie, couple, couple with children etc) on all occasions

MP46.21.5 Apportionment of Rental / Mortgage Expense

Where a Consumer Loan application (Personal Loan or Credit Card) is received in a single borrower's name but that borrower is in a relationship (ie married, defacto etc), only the applicants "share" of their declared rental or mortgage expense is used as a liability in the ARA assessment.

In order to apportion the borrowers rent or loan repayment, Originators must confirm with the borrowers and include in their loan submission notes the following confirmation:

- The borrowers gross rent / mortgage repayments (on a principal and interest basis) have been confirmed with the borrowers;
- The amount included in the Affordability Assessment (included commitment) for the borrower is the borrower's *individual* share of the total rent / mortgage commitment;
- The included commitment in the Affordability Assessment for mortgage loans must be the borrower's share of the principal and interest repayment, regardless of repayment method of the actual loan.

Confirmation of joint ownership of the rent or mortgage commitment can be confirmed using any of the following:

- Applicants credit bureau report showing a "joint" credit enquiry for the mortgage
- Copy of a bank statement confirming "joint" ownership of the mortgage or repayments being made to a mortgage account from a joint bank account
- Rates notice for jointly owned real estate
- Copy of lease agreement confirming joint lessees

MP46.21.6 Assessment of Living Expenses

Living expenses for mortgage loan applications are to be assessed using either the "Streamlined" or "Full" assessment approach.

MP46.21.7 Where an application meets the criteria for the "Streamlined" assessment method (see below), the applicants Declared Living Expenses will be accepted as submitted. The higher of the Declared Living Expenses or the HEM benchmark will be used in the Affordability Assessment.

Streamlined Assessment Criteria ¹	
Minimum Credit Score (any applicant)	700

Minimum ARA (using higher of Declared Living Expenses or HEM)	\$500
Maximum LVR	80%

¹ All pre-requisites for Streamlined Assessment Criteria must be met for Living Expenses to be assessed using the Streamlined Assessment Criteria

MP46.21.8 Where an application does not meet the criteria for the “Streamlined” assessment method, the applicants Declared Living Expenses are to be reviewed in detail, to confirm that the Declared Living Expenses accurately reflect the applicants Basic and Basic Discretionary expenditure (excluding one-off, non-recurring or Luxury Discretionary items). The higher of the assessed Declared Living Expenses or the HEM benchmark will be used in the Affordability Assessment.

MP46.21.9 Borrowers are deemed to have completed their declaration of living expenses through completing an application online (data input into the Illion Decisioning platform). Where borrowers living expense declaration is completed using the Illion Decisioning inputs, Lender **must** make appropriate commentary and reference to the members declared expenses in the loan submission notes and the Mortgage Interview – Credit Fact Find document (FRM_320).

MP46.21.10 Where an application meets the eligibility criteria for the Streamlined Living Expense Assessment, Lenders (staff interviewing applicants and submitting applications to Credit Services) are still required to review electronic bank statements to identify any undisclosed debts or financial obligations and include those commitments in the Affordability Assessment prior to applications being submitted to Credit Services for assessment.

MP46.21.11 For the avoidance of any doubt, joint borrowers can only be assessed as being a “couple” for assessment of Living Expenses where the borrowers are married or meet the legal definition of a defacto couple, being:

“A de facto relationship is defined in Section 4AA of the Family Law Act 1975 and requires that you and your partner, who may be of the same or opposite sex, have a relationship as a couple living together on a genuine domestic basis.”

MP46.21.12 Rental income when building Owner Occupied Dwelling

Where applicants are borrowing to complete construction of a new Owner Occupied dwelling and they are living in rental accommodation until completion of their new dwelling, rental commitments may be excluded from the Affordability Assessment

(reserved)

MP46.22 Verification of Security

The verification requirements for security to be taken to support consumer credit are detailed in the Consumer Credit Policy P11.

MP46.22.1 (reserved)

MP46.23 (reserved)

MP46.23.1 (reserved)

MP46.24 Construction Loans

- (a) For construction loans, plans, specifications, valid development consent, warranty insurance and the builder's fixed price contract must be supplied.
- (b) The building contract should include the following items:
 - (i) Builders name & copy of builders' licence;
 - (ii) Contract amount and date;
 - (iii) Any special conditions;
 - (iv) Exclusion items;
 - (v) Drawdown schedule;
 - (vi) Any variations to the original contract.
- (c) The above documents should be reviewed, as applicable, to ensure that:
 - (i) the plans, specifications, development consent, and the builder's fixed price contract relate to the property over which the Community First holds or will hold security;
 - (ii) the development consent is valid and that any deferred commencement conditions may be satisfied;
 - (iii) the builder's full details (business name, ABN and contact details are clearly stated); and the builder
 - (iv) is a registered business (i.e. the ABN is current and correct)

MP46.24.1 Owner Builders

Community First will no longer consider loan applications for the purposes of building a dwelling or undertaking major structural renovations on an Owner Builder basis.

For the avoidance of doubt, an Owner Builder loan is one where the building work is not undertaken by a single licenced builder who is solely responsible for completion of the work from a licencing and insurance perspective. (Note - the licenced builder may use sub-contractors, but the licenced builder must be undertaking the work using their licence and insurance).

MP46.24.2 Construction Loans Process

- (a) During construction, the security should be inspected by either the Valuer, or a duly qualified engineer, at slab/footings stage to verify construction is in line with approved plans and that work has commenced on the correct block of land.
- (b) Requests for progress payments by the builder should be commensurate with work completed.
- (c) Sufficient loan funds to be retained throughout the construction period to enable completion.
- (d) Where the construction works are to be completed by an external builder, at least two progress inspections are made during the construction period, including:
 - Progress Payment Claim No. 1 (Construction start)
 - Progress Payment Claim No. 3
 - Final Progress Payment Claim (or)
- (e) Prior to the final progress payment, the Valuer must confirm that the property has been constructed in accordance with the approved plans and specifications and provide an occupancy certificate.
- (f) Prior to the commencement of full loan repayments, interest accrued on loan advances is to be paid by borrowers on a monthly basis.

MP46.24.3 Cash Out / Equity Release Loans

Equity release / Cash-Out (provided the purpose is known and acceptable to Community First) is defined as “The undocumented, uncontrolled release of funds paid directly to the applicant”

Equity release / Cash-Out may be controlled if servicing or security valuation requirements are necessary to service or provide acceptable LVR for the loan

Equity release / Cash-Out (provided the purpose is known and acceptable to Community First) is currently capped at \$100,000

MP46.25 Debt Consolidation

- (a) Where debt consolidation is involved, the payout details of the accounts to be repaid must be verified. This involves confirming on a statement of account issued by the financial institution that:
- (i) the account to be paid out is in the name of the member;
 - (ii) the account will be paid out in full; and
 - (iii) the estimated payout amount

MP46.26 Gifts

Gifts to the member should be supported by a signed letter from the provider of the funds clearly stating that the funds are a gift to member and are not repayable.

MP46.27 Refinance

- (a) Where a loan is being refinanced, electronic statements for the loan being refinanced are required. These documents should be reviewed to ensure that the account being refinanced has been operating satisfactorily.
- (b) Where the loan being refinanced is a Home Loan, the following documentation is required:
- (i) minimum 6 months statements (obtained via bankstatements.com in HTML format);
 - (ii) rates notice (no older than 12 months);
 - (iii) body corporate levy notice, if applicable
- (c) Where the loan being refinanced is a Personal Loan, subject to rules agreed in the Community First Credit Decision Model (NCDM) the following documentation is required:
- (i) minimum 6 months statements;
 - (ii) where the loan being refinanced is a Credit Card, the following documentation is required;
 - (iii) recent electronic account statements

The above documents should be reviewed to ensure that the property over which the Community First will hold security is properly identified.

MP46.28 Savings

- (a) Funds to Complete a transaction (applicant’s contribution) must be held in an Australian Bank account, in the name of at least one applicant and include:
- (i) funds held or accumulated in savings accounts for 3 or more months;
 - (ii) term deposits held for 3 or more months;
 - (iii) accelerated loan repayments over the last three or more months that are able to be freely accessed via a redraw facility

Note that where member exercises redraw, the increased loan balance needs to be accounted for in the servicing calculation.

- (b) The above may be verified by the following documents in the name of the member dated not older than 6 months prior to the date of the loan application:
 - (i) passbooks;
 - (ii) if the savings are held with the Community First, a signed and dated diary note of the account number and balance of the account; or
 - (iii) loan statements on the lender's stationery showing the accelerated repayments
 - (iv) savings or account statements (obtained via bankstatements.com in HTML format);
- (c) The documents should be reviewed in order to ensure:
 - (i) For loans requiring Lenders Mortgage Insurance, genuine savings are required in accordance with Lenders Mortgage Insurance definition of genuine savings and in accordance with LMI policy.
 - (ii) For loans requiring support under the Housing Guarantee Scheme, genuine savings are required in accordance with Lenders Mortgage Insurance definition of genuine savings, in accordance with HGS policy
 - (iii) Documentation is genuine

PLEASE NOTE – Applications will not be *formally approved* until the above confirmation is held. Applications requiring LMI or HGS support will not be submitted to LMI or HGS for *conditional approval* until such times as the above information is held.

MP46.29 Stability

MP46.29.1 What is to be verified?

Where member is not a homeowner or buyer the Community First must be satisfied the applicant has a stable residential history.

MP46.29.2 Verification methods

Address details, stability of residence can be verified using the applicant's credit file information. Compare the application address details to the address history on the credit file. If any discrepancies exist, enquire with members or seek additional verification.

MP46.29.3 Evidence of verification control

Record verification of address details and stability in the Illion Decisioning notes along with variance enquiries made with the member.

MP46.30 Residential Status

The Community First must be reasonably satisfied the member has accurately disclosed their residential status (owner, buyer, renting, boarding or other).

MP46.30.1 What is to be verified?

- (a) Homeowner
 - (i) that applicant(s) is the registered owner of the property
 - (ii) that there is no outstanding mortgage on the property
- (b) Home Buyer

- (i) that applicant(s) is the registered owner of the property
- (c) Renter
 - (i) That the applicant(s) is the lessor of the rental property
 - (ii) That the amount of rental payment disclosed is correct

MP46.30.2 Verification methods

- (a) Homeowner or buyer
 - (i) Electronic title search will verify both items, or
 - (ii) Current rates notice (no older than 12 months old)
 - (iii) Using information held by a CRB
- (b) Renter
 - (iv) Copy of current lease, or
 - (v) 3 rent receipts
 - (vi) Telephone contact with the rental agent

MP46.31 Other Operating Procedures

MP46.31.1 (reserved)

MP46.32 (reserved)

MP46.32.1 (reserved)

MP46.32.2 (reserved)

MP46.32.3 (reserved)

MP46.32.4 (reserved)

MP46.32.5 (reserved)

MP46.32.6 (reserved)

MP46.33 Valuations

- (a) Accepting a Valuation for Residential Properties.
When reviewing and accepting a valuation by an approved Valuer, the following are at a minimum, to be verified on the valuation:
 - (i) is addressed to Community First;
 - (ii) contains Number / Street / Suburb / Town State and Postcode;
 - (iii) holds Title Reference Details;
 - (iv) provides two colour photographs front / rear and any defects;
 - (v) property is noted as residential property;
 - (vi) zoning that confirms acceptable usage;
 - (vii) disclosure if the property is:
 - located within a mine subsidence area or flood zone etc;
 - affected by high tension power lines;
 - Evidence of infestation including termites;
 - Any structural problems;
 - (viii) accurately describes the property, any improvements and estimate of essential repairs needed (If any Greater than \$5000 should be referred to the Community First Head of Credit);
 - (ix) is valued on an "AS IS" basis only;
 - (x) minimum 3 comparable sales no older than 180 days;
 - (xi) comparable sales must be similar construction and type and located within 5 kilometres;
 - (xii) market rental of the property provided;
 - (xiii) Valuer has reviewed the purchase contract (if applicable);
 - (xiv) has an insurable replacement value;

(xv) the Valuer’s comments need to assure that the property offered for security is readily marketable as demonstrated by, but not limited to recent price and turnover data for similar properties in the same

(b) Also to be included are additional authorised parties as noted below if applicable:

- (i) Integris Home Loans;
- (ii) QBE LMI Mortgage Insurance Ltd;
- (iii) Helia Lenders Mortgage Insurance Ltd.

MP46.34 (reserved)

MP46.34.1 (reserved)

MP46.34.2 (reserved)

MP46.35 Verification of Preferred Borrower applicant employment

Given the nature of policy variation offered to borrowers under these policies, additional verification of the borrower’s eligibility is required.

Outlined below are the minimum verification requirements for all occupation categories for eligible borrowers under these policies.

Occupation Category	Eligibility Verification documents
Legal Practitioner	Copy of their current practising certificate issued by their relevant state or territory legal practice regulatory body
Accountants	An invoice and proof of payment from the relevant governing body; <u>OR</u> Internet print out confirming current membership; <u>OR</u> Current year's certificate confirming current membership
Medical Doctor	Printout of search confirming current registration on Australian Health Practitioner Regulation Agency (APHRA) website
Dentist / Orthodontist	Printout of search confirming current registration on AHPRA website
Judicial Officer (Judges, Magistrates etc)	Evidence is a copy of their current commission or letter of appointment or other document confirming they are a current judicial officer (e.g. payslips or tax return)
Vets	Printout of search confirming current registration on State/Territory veterinary board site
Optometrist / Ophthalmologist	Printout of search confirming current registration on AHPRA website
Police Department Employee	Documentation confirming current employment (e.g. payslip, copy of department identification document etc)
Ambulance Officer	Documentation confirming current employment (e.g. payslip, copy of department identification document etc)

Qualified Nurses	Documentation confirming current employment (e.g. payslip, copy of department identification document etc)
Prison Officers	Documentation confirming current employment (e.g. payslip, copy of department identification document etc)
Professional Fire Fighters	Documentation confirming current employment (e.g. payslip, copy of department identification document etc)
Qualified / Licenced Teachers	Copy of current teachers accreditation / licence
Community First Staff	Documentation confirming current employment (e.g. payslip) – Current employment status to be confirmed with direct manager (ie not resigned)

ATTACHMENT A - SERVICEABILITY REQUIREMENTS

The Community First uses a net disposable income methodology calculating the Assessed Repayment Ability (ARA) to assess the risk related to a borrower’s ability to meet regular fixed commitments. Regular reviews of the Community First assessment rate and buffers are completed to ensure adherence to responsible lending practices.

The method adopted allows the Community First to determine whether the current interest rate buffer and assessment rate are adequate in relation to the historical interest rate movements and economic indicators, this is to ensure that the rate determined is reflective of the borrower’s true capacity to service their commitments in a fluctuating interest rate market.

Minimum requirements	
ARA	<p><u>Mortgage Loans (including Bridging Loan end-debts)</u></p> <ul style="list-style-type: none"> Where the majority income earners Credit Bureau Score is 800 or higher, the minimum required ARA is \$1 Where the majority income earners Credit Bureau Score is less than 800, the minimum required ARA is \$200 <p><u>Non-Mortgage Loans</u></p> <ul style="list-style-type: none"> The minimum required ARA is \$1
Community First Affordability Assessment	<p><u>Community First Floor Rate</u></p> <ul style="list-style-type: none"> For the purposes of completing Loan Affordability Assessments, Community First adopts a Floor Rate, to be used in conjunction with the Actual Interest Rate payable on a loan. As of 1st June 2020, the Community First Assessment Floor Rate is 5.25% <p><u>Community First Assessment Buffer</u></p> <ul style="list-style-type: none"> For the purposes of completing Loan Affordability Assessments, Community First adopts an Assessment Buffer, to be added to the with the Actual Variable Interest Rate payable on a loan. As of 1st November 2020, the Community First Assessment Buffer is 3.00% <p><u>Affordability Assessment - Mortgage Loans</u></p> <p>When assessing loan affordability, the following policies apply in relation to an applicant’s new and existing mortgage repayments, regardless of whether those loans are with Community First or another lender:</p> <ul style="list-style-type: none"> <u>Variable Rate Amortising Loans</u> Loan Repayments to be calculated using the higher of the Actual Loan Interest Rate plus Community First Assessment Buffer or the Community First Floor Rate. <u>Fixed Rate Amortising Loans</u> Loan Repayments to be calculated using the higher of the Fixed Loan Rollover Rate plus Community First Assessment Buffer or the Community First Floor Rate. <u>Variable Rate Interest Only Loans</u> Loan Repayments to be calculated using the higher of the Actual Loan Interest Rate plus Community First Assessment Buffer or the Community First Floor Rate. <u>Fixed Rate Interest Only Loans</u>

	<p>Loan Repayments to be calculated using the higher of the Fixed Loan Rollover Rate plus the Community First Assessment Buffer or the Community First Floor Rate.</p> <ul style="list-style-type: none"> • <u>Discounted Variable Rate (Honeymoon) Loans</u> Loan Repayments are to be calculated using the higher of the Standard Variable Home Loan Interest Rate plus Community First Assessment Buffer or the Community First Floor Rate. • <u>Fixed Rate Amortising Package Loans</u> Loan Repayments to be calculated using the higher of the Package Loan Variable Loan Rate plus Community First Assessment Buffer or the Community First Floor Rate.
Existing mortgage loans	<ul style="list-style-type: none"> • <i>When assessing new mortgage loan borrowings, existing mortgage loan repayments are to be calculated using the same minimum assessment rate that applies to the new mortgage loan being assessed;</i> • Repayments are based on the limit/Scheduled Balance (plus any available Redraw) calculated on a P&I basis over the remaining term, using the appropriate Assessment Rate.
Existing Fixed Rate Personal Loans	<ul style="list-style-type: none"> • Product Rate only (due to fixed rate over entire term).
Variable Personal Loans	<ul style="list-style-type: none"> • Higher of the Floor Rate or the actual rate plus 2.50% per annum.
Credit cards and Overdraft: Unsecured	<ul style="list-style-type: none"> • All Community First-branded cards – 3.2% of the approved limit (with a \$20 minimum) • All non-Community First Group cards – 3.75% of the approved limit (with a \$50 minimum) <p>All Credit Cards are to be assessed within Serviceability Assessments as if the loan was a 3 year personal loan, assessed using the highest rate payable under the Credit Contract.</p> <ul style="list-style-type: none"> • All Community First-branded credit cards are assessed at an assumed interest rate of 8.99% • All non-Community First Group cards assessed using an assumed interest rate of 22%
Overdraft: Residentially Secured	<ul style="list-style-type: none"> • The higher of the Floor Rate or 1% of the approved limit.
Cost of living	<p>The Community First uses the Household Expenditure Measure (HEM) as a baseline cost of living.</p> <ul style="list-style-type: none"> • HEM is updated in line with quarterly releases. • Total household income including investment and rental income for the family composition is used to determine the HEM expense number. • The higher of the HEM or applicants declared living expenses will be used in the calculation of the ARA • Applicants Actual Living Costs must include all cost of living expenses, including “Buy Now-Pay Later” commitments (to be listed under the “Other” Category on Living Expense Consent Form). • Income to be used for assessment of HEM will be based on applicants gross combined income, less any rental income received • For each investment property owned by applicants, an additional expense of \$600 per property per month will need to be added to the base HEM calculation prior to comparing the HEM to the applicants declared living expenses to cover the additional costs associated with

	<p>owning an investment property (which is not included in HEM). For example:</p> <p><u>Example # 1</u></p> <table border="0"> <tr> <td>Baseline Assessed HEM</td> <td>\$4,200</td> </tr> <tr> <td>No. of rental properties owned post settlement)</td> <td>2</td> </tr> <tr> <td>Additional Living Expense for rental properties</td> <td>\$1,200 (\$600 x 2)</td> </tr> <tr> <td>Revised Minimum HEM</td> <td>\$5,400</td> </tr> <tr> <td>Applicants declared living expenses</td> <td>\$4,950</td> </tr> <tr> <td>Living Expenses for affordability assessment</td> <td>\$5,400</td> </tr> </table> <p><u>Example # 2</u></p> <table border="0"> <tr> <td>Baseline Assessed HEM</td> <td>\$4,200</td> </tr> <tr> <td>No. of rental properties owned post settlement)</td> <td>2</td> </tr> <tr> <td>Additional Living Expense for rental properties</td> <td>\$1,200 (\$600 x 2)</td> </tr> <tr> <td>Revised Minimum HEM</td> <td>\$5,400</td> </tr> <tr> <td>Applicants declared living expenses</td> <td>\$6,950</td> </tr> <tr> <td>Living Expenses for affordability assessment</td> <td>\$6,950</td> </tr> </table> <p>For the avoidance of any doubt, an investment property is defined as any property beneficially owned by applicants in addition to their primary place of residence (including holiday homes). Further, multiple dwellings on a single title are considered to be a single property for the purposes of the investment property loading .</p>	Baseline Assessed HEM	\$4,200	No. of rental properties owned post settlement)	2	Additional Living Expense for rental properties	\$1,200 (\$600 x 2)	Revised Minimum HEM	\$5,400	Applicants declared living expenses	\$4,950	Living Expenses for affordability assessment	\$5,400	Baseline Assessed HEM	\$4,200	No. of rental properties owned post settlement)	2	Additional Living Expense for rental properties	\$1,200 (\$600 x 2)	Revised Minimum HEM	\$5,400	Applicants declared living expenses	\$6,950	Living Expenses for affordability assessment	\$6,950
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Applicants declared living expenses	\$6,950																								
Living Expenses for affordability assessment	\$6,950																								
<p>Notional rental expense</p>	<ul style="list-style-type: none"> Where the borrower is purchasing an investment property and is said to reside with family or friends either rent-free or at an unusually low cost, a notional rental expense of \$150 per week (\$650 per month), will be included as an existing commitment when determining serviceability. The notional rental expense will not apply to loans for the acquisition of Vacant Land or where a borrower meeting the above criteria already owns an existing investment property and is looking to purchase a second property. 																								
<p>Debt to Income Ratio (DTI)</p>	<ul style="list-style-type: none"> The maximum acceptable DTI for all loan applications is a DTI of 6 times. Exceptions to the maximum DTI will only be <i>considered</i> for existing or former Community First borrowers (any loan type) OR existing members with at least 12 months “active” membership (active membership defined as active and ongoing use of Community First banking facilities over the past 12 months). Any request for an exception must be appropriately and prudently mitigated by the submitting lender to support the exception request 																								

When calculating serviceability, the term to be applied is as follows:

- Interest only home loans - the period to which the residual principal and interest repayments apply.
- Principal and interest home loans - the proposed contractual loan term.
- Personal loans - the proposed contractual loan term.

- Overdraft and credit cards where the member is employed - not required as a relevant percentage of debt is required as a going concern.