



Credit Underwriting Guidelines

1. PRODUCT STANDARDS

1.1. PURPOSE

<p>Acceptable Loan Purposes</p>	<p>Community First will consider loan application for any legal, worthwhile purpose, which complies with the credit policies and rules and objectives and regulatory requirements of Community First Bank.</p> <p>Where a loan purpose is considered unacceptable under Community First Bank policy, the application cannot be considered. Any loan purpose not included on the list of unacceptable loan purposes will be deemed to be an acceptable purpose.</p> <ol style="list-style-type: none"> 1. Purchase/Refinance and construction of Residential property 2. Purchase/Refinance of Rural and Rural and Residential property 3. Home Improvements 4. Equity Release 5. Bridging Finance 6. Investment (Shares, Bonds etc.) 7. Purchase of: <ul style="list-style-type: none"> o Motor Vehicles o Motorcycles o Caravans o Marine Vessels 8. Debt Consolidation 9. Green Vehicle Loans - purchase of new / demonstrator Electric Vehicle (EV), Plug-In Hybrid Electric Vehicle (PHEV) or Hybrid vehicle from a licensed dealership of the brand being purchased. NOTE – “mild” hybrid vehicles are not considered a Hybrid and are excluded from this product.
<p>Unacceptable Loan Purposes</p>	<p>Community First will exclude the following purposes:</p> <ol style="list-style-type: none"> a) Business/Commercial purchases or related b) Business/Commercial developments c) Applications that may breach Australian Laws (regardless of jurisdiction) d) If it breaches a prudential standard or guideline, and regulatory approval to proceed is not held; e) the activity is likely to damage Community First’s reputation with its members in respect to honesty, integrity and trust; f) an aspect of the contract is not in accordance with the Constitution of Community First (e.g. the borrower is not eligible to be a member of Community First); or the borrowing is an exclusion or does not comply with the product parameters.

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| | <ul style="list-style-type: none"> g) Proposed loan is to provide funds for payment of outstanding taxation or any other statutory liabilities (e.g. Council Rates, Water Rates etc.) h) Refinance of liabilities to Debt Recovery or Collections companies, regardless of whether the liability is listed as a default or not. i) Any loan secured by a 2nd mortgage (except for 2nd mortgages from guarantors in relation to Parental Guarantees) j) Refinancing partially complete dwellings k) Construction loans using Easy Street loan products l) Loans with LVR's in excess of 80% using Easy Street loan products m) Loans to construct a dwelling on an Owner Builder basis (builder operating under an Owner Builder license) n) Loans to construct a dwelling on a cost-to-complete basis (no fixed price contract and progress payments based on costs incurred, not percentage of work completed.) o) Mortgage loans including cash out / equity release more than ALCO-approved limits p) Reverse mortgage loans q) Loans which are unacceptable or contrary to the National Consumer Credit Code or Community First Target Market Determinations r) Loan products and terms which are inconsistent with the economic life of the asset being acquired or refinanced (i.e. long term debt for short term assets) s) Construction loans relating to the construction of security properties under a split building contract (construction of Community First security is directly dependent on the construction of adjoining properties not held as security by Community First – e.g. terrace houses) t) Any purpose deemed unacceptable by the members of the Loans Committee (Head of Credit Services, Chief Operating Officer, Chief Executive Officer) or the Community First Board. |
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1.2. BORROWERS

Acceptable Borrowers	<p>Community First will consider loan application for any borrower (and/or supported by any Guarantor) who meets with the credit policies and rules and objectives and regulatory requirements of Community First, including but not limited to:</p> <ul style="list-style-type: none"> a) Australian and New Zealand Citizens over 18 years of age b) Australian Permanent Residency Holders over 18 years of age c) Incorporated Entities d) Unit Trust e) Self-Managed Super Funds (not currently open to new loans)
Unacceptable Borrowers	<p>Community First will not consider applications for the following borrowers for retail lending purposes:</p> <ul style="list-style-type: none"> (a) Minors, under any circumstances. (b) Overseas nationals without Australian citizenship or permanent residency (including New Zealand Citizens on Subclass 444 – Special Category Visas). (c) Applicants with an unacceptable credit score (including any credit scoring tool implemented by Community First), as determined by ALCO from time to time, unless an approved exception applies (d) Companies with directors and Trusts with trustees living and working in a country other than Australia. (e) Applicants or Guarantors who do not reside in Australia and/or are not tax residents of Australia (f) Company directors purchasing property from their own developments for investment purposes. (g) Borrowers of convenience i.e. any Borrower that is added to a loan to support servicing or provide security but does not receive any tangible benefit from the loan transaction). (h) Body corporate entities. (i) Hybrid Trusts (j) Borrowers with an outstanding or unsatisfied judgement or Writ. (k) There has been a declared discharged bankruptcy as evidenced via current Credit Reference Report or is currently an undischarged bankruptcy. (l) Community First accounts must not currently be or have been 30+dpd in the last 12 months. (m) The member has had prior bad debts greater than \$50 with Community First which have been written off and which have not been repaid in full. (n) Unregistered companies or companies not registered for GST (o) Applicants whose employment and/or income stream is illegal or generated from illegal activities. (p) Applicants acting or reasonably believed to be acting under duress, financial abuse or coercive control

	<ul style="list-style-type: none"> (q) Applicants with a Significant Adverse listing on their credit bureau history, regardless of actual credit score. (r) Applicants who cannot / do not understand the consequences of entering into a credit contract / guarantee or who Community First Bank reasonably believe do not or cannot understand those consequences (s) Applicants relying on unacceptable income (including Centrelink Home Equity Access Scheme) (t) Unincorporated Entities (u) Not for Profit Entities (v) Applicants on probation borrowing with an LVR in excess of 80% or those who are on probation that have changed industries (regardless of LVR) (w) Any borrower deemed unacceptable by the members of the Loans Committee (Head of Credit Services, Chief Operating Officer, Chief Executive Officer) or the Community First Board.
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1.3. SECURITIES

<p>Acceptable Securities – Consumer Lending</p>	<p>For secured personal loans, the following types of security are deemed acceptable:</p> <p>Personal Loans may be secured or unsecured. The taking of security to support a credit facility provided to a borrower does not negate the need for the borrower to be able to service the facility without being overcommitted.</p> <p>Security assets for a secured loan must meet the following criteria:</p> <ul style="list-style-type: none"> a) in the case of credit facility to be secured by a motor vehicle, a valuation is obtained from Glasses Guide or similar recognised motor vehicle Valuer, confirming vehicles retail price, when a variation of greater than 10% exists the lower of the purchase price and the motor vehicle valuation is to be used. b) Community First’s interest is to be registered on Personal Property Security Register (PPSR) within 14 days of the loan being funded. c) Community First is to have the sole interest in the security vehicle. d) Comprehensive insurance be maintained for full market or agreed value and Community First be noted as financier during the term of the loan. e) Community First will not take security over a third party motor vehicle. f) All documentation requiring stamp duty is duly stamped as required. g) The maximum LVR applicable to security for a secured personal loan is 100% of the value of the security asset.
<p>Unacceptable Securities</p>	<p>Community First will not consider applications for the following borrowers for retail lending purposes:</p> <ul style="list-style-type: none"> (a) Any residential property:

- Where a first registered mortgage cannot be obtained (excluding Family Guarantor properties);
- Does not allow residential use under the current zoning;
- Any property located outside of Australia or on any Australian islands not connected to the Australian mainland (Tasmania, Scotland Island, Kangaroo Island and Stradbroke Island are excluded from this policy and are acceptable locations)
- Requires significant renovations / improvements
- Is uninhabitable at the time of settlement
- Located in small regional or remote locations which do not support an active residential real estate market

(b) Crown Land (other than a Perpetual Crown Lease in the ACT);

(c) Leasehold properties (other than a Perpetual Crown Lease in the ACT);

(d) Any property with an unacceptable title, such as Purple Title (WA), Moiety Title (SA), Company Title, Company Stratum Title (Vic);

(e) Improved site with a land size larger than 40 hectares;

(f) Property subject to the Western Lands Act (NSW);

(g) Any unit or apartment which has any of the following characteristics:

- Located in a hotel or motel complex, regardless of use of proposed security property;
- Located in a student accommodation complex;
- Located in a retirement complex;
- Located a serviced apartment complex
- A studio or bedsitter apartment (i.e. no bedrooms)
- Is less than 40sqm in living area, excluding balconies and car spaces
- Dual Key apartments

(h) Mobile home, caravan, or re-locatable home;

(i) Boarding house or hostel, including properties where rooms are rented on an individual (per room) basis;

(j) Time-share property;

(k) Property generates primary production income (i.e. is a farm);

(l) Property with life tenancy on title

(m) Properties subject to mandatory rectification orders issued by a Statutory Body or constructed using unsafe building materials (e.g. combustible external cladding).

(n) Unique properties with a limited resale market

(o) Dwellings under construction (partially built at the time of application)

- (p) Dwellings to be constructed on an Owner Builder basis
- (q) Dwellings to be constructed on a Split Contract basis
- (r) Unacceptable zoning which is detrimental to or restricts re-sale (e.g. Over 55's)
- (s) Unimproved properties (i.e. vacant land / no dwellings) greater than 5ha
- (t) Security properties in locations / towns which have a singularly dominant economic industry or entity (i.e. mining towns)
- (u) Security property is subject to any restrictive covenants which have the potential to limit or reduce a property value on resale or impose resale restrictions
- (v) Residential properties, Rural Residential properties or Rural properties which don't have meet the following requirements:
 - Connected to the national electricity grid
 - Have direct vehicular access via a formed, trafficable road
 - Must be readily saleable with no adverse features such as affection by any government or state planning scheme, needs repair or has been poorly maintained or has reduced marketability due to location;
- (w) Cash held in any financial institution other than Community First
- (x) NDIS and NRAS properties
- (y) Landlocked properties (only accessible via Right of Way across another property)
- (z) Water Access only properties
- (aa) Properties burdened with commercial infrastructure (e.g. telecommunications towers, advertising signage and billboards etc), regardless of ownership of that infrastructure
- (bb) Commercial Properties
- (cc) Display Homes (leased back to the builder)
- (dd) Mobile Homes
- (ee) Kit and Relocatable Homes
- (ff) Contaminated Properties
- (gg) Properties within 50 metres of high-tension power lines
- (hh) Vacant land when applicants do not intend to build within 12 months
- (ii) More than 4 dwellings on a single title
- (jj) Properties with more than one Risk Rating of 5 from the Valuer
- (kk) Properties deemed unsuitable for Security purposes from the Valuer
- (ll) Properties directly or indirectly impacted by Native Title

	<p>(mm) Properties located in an area subject to a flood rating greater than 1% AEP (Annual Exceedance Probability) – also known as a 1:100-year flooding probability</p> <p>(nn) Any security property deemed unacceptable by the members of the Loans Committee (Head of Credit Services, Chief Operating Officer, Chief Executive Officer) or the Community First Board.</p> <p>Where proposed security is considered unacceptable under Community First policy, the application cannot be considered. Any proposed security not included on the list of unacceptable properties will be deemed to be an acceptable security property.</p>
<p>Definition of Residential, Rural Residential and Rural properties</p>	<p>Residential properties (no larger than 2.2 hectares / 5 acres) which don't have meet the following requirements:</p> <ul style="list-style-type: none"> i. Connected to the national electricity grid ii. Town water connection iii. Have direct vehicular access via a formed, trafficable road iv. Must be readily saleable with no adverse features such as affection by any government or state planning scheme, needs repair or has been poorly maintained or has reduced marketability due to location; <p>Rural Residential properties (larger than 2.2 hectares / 5 acres but less than or equal to 10 hectares / 25 acres) which don't have meet the following requirements:</p> <ul style="list-style-type: none"> (i) Connected to the national electricity grid (or be available to be connected from a connection point adjoining the subject property). (ii) Have direct vehicular access via a formed, trafficable road (iii) Must be readily saleable with no adverse features such as affection by any government or state planning scheme, needs repair or has been poorly maintained or has reduced marketability due to location; <p>Rural properties (larger than 10 hectares / 25 acres but less than or equal to 40 hectares / 100 acres) which don't have meet the following requirements:</p> <ul style="list-style-type: none"> (iv) Connected to the national electricity grid (or be available to be connected from a connection point adjoining the subject property). (i) Have direct vehicular access via a formed, trafficable road (ii) Must be readily saleable with no adverse features such as affection by any government or state planning scheme, needs repair or has been poorly maintained or has reduced marketability due to location;

1.4. LVR GUIDELINES

	Maximum allowable LVR's (Subject to all additional LVR limits outlined in Community First policy)		
Maximum Base LVR	70%	80%	95% LVR*
Capital City locations	\$10m property limit	\$5m property limit	\$1.5m property limit
Regional locations	\$3m	\$1.5m property limit	\$750,000
Other locations	Outside policy – Refer to Credit Services		Outside policy
Multiple security properties	Where a facility is secured by multiple security properties, the maximum facility LVR is 80%		
More than 2 dwellings on single title	80%		
Bridging Loans	80%		
Housing Guarantee Scheme	Scheme maximum LVR's apply based on location and Scheme policy		
Cash Out loans	80%		
High Density Dwellings	LMI guidelines to apply		

¹ Capital city locations includes the greater capital city area for each state capital city, including the Illawarra area, Newcastle, Central Coast and Lake Macquarie, Geelong, Gold Coast and Sunshine Coast and the entire ACT.

² Regional locations are non-capital city locations with a permanent official population (as at most recent national census) of 15,000 or greater

³ Other locations are those with a permanent official population (as at most recent national census) of less than 15,000

For the avoidance of any doubt, where uncertainty exists regarding the classification of a security property location, the matter is to be referred to Credit Services for guidance.

NOTE: the maximum LVR will also be determined by the applicable Product parameters approved by Product and Marketing and ALCO.

1.5. FAMILY PLEDGES

Family Pledges allow borrowers to purchase their first home do so without the need to take out LMI. A Family Pledge can only be made from the following related parties to the borrowers:

1. Parents
2. Grandparents
3. Siblings
4. De Facto Partner
5. Child

As additional security, a guarantee from a third party (e.g. parent) may be taken to support the facility. A guarantor must be at least 21 years of age and be acceptable to Community First, considering their financial position (i.e. income, expenditure, assets and liabilities).

Family guarantees should be limited to an amount not exceeding the minimum required to eliminate the need for LMI to be taken.

Where a Family guarantor is offering a mortgage over the Guarantors family / owner occupied home as security in support of their Guarantee, the Guarantors will be required to provide an "Exit Strategy", outlining how they might meet their guarantor obligations if they cease full time employment and the guarantee remains in force.

All guarantors must be interviewed using the approved interview questionnaire and guidelines.

All Guarantors must seek independent legal in relation to their rights and obligations as Guarantors. Financial advice is recommended for all Guarantor(s). All guarantees taken for Home Loans are to be supported by a first or second mortgage over acceptable residential property in favour of Community First .

Acceptable purposes for a Family Guarantee / Family Pledge loan are limited to the purchase or construction of Owner Occupied dwellings, including off the plan purchases.

Family Guarantee / Family Pledge parameters are as follows:

- a) Fixed or Variable P&I Loans (1y IO allowable for construction)
- b) Loan not to exceed 100% of the purchase price
- c) Guarantors must meet the eligible borrower requirements
- d) Independent Legal advice for Guarantors is mandatory
- e) Debt consolidation and/or equity release is unacceptable
- f) No requirement for financial assessment of the Guarantors other than a Credit Check (except Exit Strategy if Guarantor offers Owner Occupied property as security – Exit Strategy to be acceptable to Credit Services)
- g) 2nd Mortgage over Guarantors security is acceptable
- h) Maximum Guarantee limited to an amount not exceeding 20% of the purchase price required

As additional security, a guarantee from a third party (e.g. parent) may be taken to support the facility. A guarantor must be at least 21 years of age and be acceptable to Community First, considering their financial position (i.e. income, expenditure, assets and liabilities).

Where a Family guarantor is offering a mortgage over the Guarantors family / owner occupied home as security in support of their Guarantee, the Guarantors will be required to provide an "Exit Strategy", outlining how they might meet their guarantor obligations if they cease full time employment and the guarantee remains in force.

All Guarantors must obtain independent legal advice in relation to their rights and obligations as Guarantors. Financial advice is recommended for all Guarantor(s). Guarantors must be allowed 72 hours “cooling off” period between execution of their Guarantees and settlement of the loan, in accordance with COPCOB requirements.

Requests to waive mandatory legal advice can only be approved by Head of Credit Services, Chief Operating Officer or CEO.

Security guarantees

For applications where a co-owner of the security property is not a borrower but will be a Guarantor for the borrower (co-owners) loan, the guaranteed liability will be capped at the higher of the loan amount (where property is owned as joint tenants) or the Guarantors shareholding in the property (where property is owned as tenants in common)

All other requirements applicable to Family Guarantee Loans (paragraph (g) to (j) above equally apply to Security Guarantee loans as they do for Family Guarantee loans

As additional security, a Term Deposit held by Community First may be taken to support the facility. The Term Deposit must be acceptable to Community First whilst also considering the member’s financial position (i.e. income, expenditure, assets and liabilities) as well as the term that the term deposit is to be used as security. Up to 100% of the value of the Term Deposit may be used as security.

Requests to waive mandatory legal advice can only be approved by Head of Credit Services, Chief Operating Officer or CEO.

1.6. GIFTS AND FAVOURABLE PURCHASES

Gifted funds for applicants to assist with deposit equity (i.e. to reduce LVR or avoid LMI) are acceptable under certain circumstances outlined below. A property purchase is deemed favourable when it is exchanged at below market value. A favourable purchase is acceptable providing the below criteria is met.

Gifts	<ul style="list-style-type: none"> • Written confirmation to be provided by the party making the gift confirming that amount gifted is for the express purchase of purchasing our security property and is not repayable. • The provider of the gift is related to at least one of the borrowers • Gifted funds are to be made available prior to accessing any loan funds (e.g. Construction loans)
Favorable Purchases	Where the vendor and purchaser are related parties (e.g. family members or estates of family members) and the purchase of the proposed security property is at a discount due to the vendor / purchaser relationship, the Loan to Value Ratio may be calculated using the sworn valuation.
Off-the-Plan purchases	Where a security property has been purchased off the plan, the current valuation (as at date of application) may be used for LVR calculations, provided the unconditionally exchanged Contract for Sale is more than 12 months old at the date of application.

1.7. FUNDS TO COMPLETE AND GENUINE SAVINGS

Funds to Complete	<p>Evidence of funds to complete is required for all non-refinance applications. Evidence can be via:</p> <ul style="list-style-type: none"> a) Bank Savings Statements b) Available redraws or Line of Credit available funds c) Sale of a property d) Share Portfolio Statement
Genuine Savings	<p>A minimum of 5% genuine savings is required for all LMI applications where LVR is >90% or for any Housing Australia application, regardless of LVR (note 2% for Family Guarantee applications). Evidence can be via:</p> <ul style="list-style-type: none"> a) Bank Savings Statements b) Available redraws or Line of Credit available funds c) Sale of a property d) Share Portfolio Statement e) Gift f) Inheritance g) Rental Ledger
Unacceptable Genuine Savings	<ul style="list-style-type: none"> a) Personal Loans b) Gifts or incentives from Builders or Developers c) Funds not held in an Australia Account d) Foreign Shares or Bonds e) Cashbacks f) Government Grants g) Sale of assets other than Real Estate h) Unrealised Capital Gains i) Funds held in a business or corporate account

1.8. CREDIT REPORTS/ACCOUNT CONDUCT

Credit Reports are to be obtained for all applicants to a loan application, along with Guarantors and Company Search for any related companies to one or more of the applicants. All Credit Enquiries in the past 12 months must have commentary within your recommendation notes as to whether it proceeded or not. Note: All applications with Unacceptable findings should be declined and NOT referred to Credit. Adverse findings can be considered by Credit with a reasonable explanation.

<p>Minimum Acceptable Credit Score</p>	<p>Community First will not consider any application where the applicants and/or guarantors have a credit score less than 600, except where an applicant meets the following criteria:</p> <ul style="list-style-type: none"> • Any applicant with a credit score less than the minimum score has been a long term (e.g. > 2 years), active member of Community First or has significant existing borrowings via any Community First entity; • Applicant with a credit score less than the minimum score is a joint borrower, where the co-borrower has a minimum credit score of 735; • Applicant with a credit score less than the minimum score due to a new credit report (Community First is first listed lender) and the applicant is a direct relation (e.g. child) of a long-term, active member of any Community First entity;
<p>Unacceptable findings</p>	<p>Where an applicant’s credit score exceeds the minimum acceptable credit score (refer above) but contains any of the following features, the applicant will be deemed “unacceptable” and will not be considered under any circumstances:</p> <ul style="list-style-type: none"> • Bankruptcy (regardless of status) • Judgement • Court Writs or Summons • Unpaid Defaults • Settled Defaults • Paid Defaults >\$500 • Paid Defaults listed by Community First or ICU • Defaults paid less than 12 months prior • Clear-outs • Winding up or liquidation proceedings • Current Hardship assistance from existing lender
<p>Adverse Findings</p>	<p>Where an applicant’s credit score exceeds the minimum acceptable credit score (refer above) but contains any of the following features, the applicant will be deemed “adverse” and may be considered under exceptional circumstances:</p> <ul style="list-style-type: none"> • Paid Defaults <\$500 • Hardship Assistance

Comprehensive Credit Reporting (CCR)	<p>Following a review of the applicant’s CCR data, if any of the following are evident, an acceptable explanation for any of the following is required from the applicant(s):</p> <ol style="list-style-type: none"> 1. Any RHI 2 or greater 2. 3 or more RHI 1 in 24 months 3. Any RHI within 6 months of the open date 4. Any RHI on more than 1 Credit facility 5. Previous hardship assistance (as evidenced by any FHI listing on any credit facility).
Minimum acceptable credit score	Community First Bank will not consider any applicant who has a credit score less than 600 on any Community First Bank-sourced credit report.
Bank Statement Review	<p>Following a review of the applicant’s Bank Statements, if any of the following are evident, then provide an acceptable explanation of the reasoning:</p> <ol style="list-style-type: none"> 1. 1 or more Dishonors, rejected Direct Debits 2. Unarranged Overdrawn or Overlimit 3. Credit Card Late payments or Overlimit 4. 75% or more of their income being withdrawn in cash 5. Large cash withdrawals at Licenced premises or transfers to Betting applications

2. APPLICANTS

2.1. VERIFICATION OF IDENTITY

Verification of applicants identity, for both “Verification of Identity (VOI)” and AML / CTF requirements is to be completed in accordance with existing Community First Bank identification procedures.

2.2. EMPLOYMENT

Employment Type	Minimum Employment Requirements
PAYG	<ul style="list-style-type: none"> • Minimum 6 months of continuous employment or 12 months in the same industry
Permanent Part Time	<ul style="list-style-type: none"> • Minimum 6 months of continuous employment or 12 months in the same industry
Casual	<ul style="list-style-type: none"> • Minimum 6 months of continuous employment or 12 months in the same industry

Contract¹	<ul style="list-style-type: none"> • Minimum 6 months remaining on current contract or 12 months in the same industry if PAYG. If under an ABN refer to self-employed below
Self Employed²	<ul style="list-style-type: none"> • Minimum of 2 full financial years
Self-Funded retirees	<ul style="list-style-type: none"> • No set minimum
Probation	<ul style="list-style-type: none"> • Applicants on probation will be considered for new Community First Bank lending, subject to Unacceptable Borrowers requirements
Continuous Employment	<ul style="list-style-type: none"> • Any break greater than 4 weeks between employers will need to be explained prior to be considered acceptable as “continuous employment”
LVR > 80%	<ul style="list-style-type: none"> • Minimum employment requirements where the proposed LVR exceeds 80% must comply with LMI provider guidelines, regardless of whether the application is assessed under LMI, Housing Guarantee Scheme or Community Advantage policies

¹ A contractor operating via an ABN may be assessed as a PAYG income earner, if their “employer” is making tax and superannuation payments on behalf of the applicant.

² A self-employed applicant is defined as a borrower who holds a controlling interest or via their personal relationships, exerts Board control over the company from which they receive their income. Minority shareholders in a single company are not considered self employed

2.3. ACCEPTABLE INCOME VERIFICATION

Type	Minimum Requirement	Application
PAYG (Australia)	<ul style="list-style-type: none"> • 2 most recent payslips, or • 1 payslip and bank statements, or • 1 payslip and latest payment summary or NOA 	<ul style="list-style-type: none"> • 100%
PAYG (Overseas)	<ul style="list-style-type: none"> • Last 2 years income Tax returns and corresponding NOA's 	<ul style="list-style-type: none"> • 50% using the rate of exchange at the point of application
Tax Free Income	<ul style="list-style-type: none"> • Salary Sacrifice agreement (Excludes Health Care workers and applicants working for a registered Not for Profit) 	<ul style="list-style-type: none"> • 100% added to Tax Free income
Overtime	<p><u>Application submitted prior to 1st October annually</u></p> <ul style="list-style-type: none"> • 2 most recent YTD payslips confirmation of previous years' taxable income (YTD income from 30th June payslip) or NOA / PAYG Payment Summary <p><u>Application submitted on or after 1st October annually</u></p> <ul style="list-style-type: none"> • Annualised YTD from most recent YTD payslips 	<ul style="list-style-type: none"> • 80% • 100% for all 'front-line' workers <ul style="list-style-type: none"> ○ Police ○ Paramedics ○ Fire Fighters ○ Health Care workers (Doctors and Nurses) ○ Correctional Service workers ○ Public Transport crews ○ Utilities workers (electricity, gas and water)
Bonuses / Commissions	<ul style="list-style-type: none"> • 2 most recent YTD payslips, or • 1 YTD payslip and bank statements, or • 1 YTD payslip and latest payment summary or NOA 	<ul style="list-style-type: none"> • 80% • If paid periodically use the average of the last 12 months • If paid annually use the average of the last 2 years
Allowances	<ul style="list-style-type: none"> • 2 most recent YTD payslips, or • 1 YTD payslip and bank statements, or • 1 YTD payslip and latest payment summary or NOA 	<ul style="list-style-type: none"> • If a condition of employment (e.g. emergency services, airline staff, ADF personnel etc.) – 100% • If not a condition of employment - 80%
Mileage	<ul style="list-style-type: none"> • Not acceptable 	<ul style="list-style-type: none"> • NA
Fully Maintained Company Vehicle	<ul style="list-style-type: none"> • Letter from employer or employment contract confirming approval for unrestricted private use of the vehicle 	<ul style="list-style-type: none"> • \$5,000 added to borrowers annual PAYG taxable income
Family Tax Benefit	<ul style="list-style-type: none"> • Current Centrelink Certificate of Entitlement • Bank statement 	<ul style="list-style-type: none"> • 100% accepted for each child aged 13 years old or younger, at the date of application.

Acceptable Centrelink Income	<ul style="list-style-type: none"> • Current Centrelink Certificate of Entitlement • Bank statement 	<ul style="list-style-type: none"> • 100% • Income must be ongoing for a minimum of 5 years from the date of application. • Centrelink income will not be accepted where the oldest borrowers age plus proposed loan term exceeds the average Australian life expectancy (see below)
Average Australian Life Expectancy	<ul style="list-style-type: none"> • 83 years of age 	<ul style="list-style-type: none"> • https://www.aihw.gov.au/reports/life-expectancy-deaths/deaths-in-australia/contents/life-expectancy
Maintenance (via Child Support Agency)	<ul style="list-style-type: none"> • Letter from Child Support Agency (CSA) confirming payment 	<ul style="list-style-type: none"> • 100% accepted for each child aged 13 years old or younger, at the date of application.
Maintenance (private arrangement)	<ul style="list-style-type: none"> • Letter from non-custodial parent confirming arrangement PLUS • Evidence of payment history via repayments received into bank account (bank statement evidence required) 	<ul style="list-style-type: none"> • 100% accepted for each child aged 13 years of age or younger, at the date of application.
Carers Allowance	<ul style="list-style-type: none"> • Current Centrelink Certificate of Entitlement • Bank statement 	<ul style="list-style-type: none"> • 100% if to be received for at least the next 5 years
NDIS Income	<ul style="list-style-type: none"> • NA 	<ul style="list-style-type: none"> • NA
Interest Income	<ul style="list-style-type: none"> • Last 2 years Income Tax returns and corresponding NOA's 	<ul style="list-style-type: none"> • 80%
Dividends	<ul style="list-style-type: none"> • Last 2 years Income Tax returns and corresponding NOA's 	<ul style="list-style-type: none"> • 80%
Rental Income (long term - AUS Only)	<ul style="list-style-type: none"> • 2 most recent rental statements, or • Bank Statements, or • Current Lease Agreement or • Latest Income Tax return and corresponding NOA or • Valuation or • Real Estate Agent's Letter 	<ul style="list-style-type: none"> • 80%
Rental Income (short term – AUS only)	<ul style="list-style-type: none"> • Latest Income Tax return and corresponding NOA (If short term rental) 	<ul style="list-style-type: none"> • 80% if property rented for a minimum of 12 months

Workers Compensation	<ul style="list-style-type: none"> • Letter from Insurer confirming will be paid until retirement age³, and • Bank Statements 	<ul style="list-style-type: none"> • 100%
Self Employed (mortgage loans)	<ul style="list-style-type: none"> • Last 2 years Tax Returns, and • Copy of current Tax Portals or NOA and • Confirmation of ABN registration <p>Most recent year tax returns are required for all applications submitted after 31st March the following year (e.g. application submitted 4th April 2025, FY2024 financials are required). Applications submitted after 31st March are to be supported by:</p> <ul style="list-style-type: none"> • Draft Tax returns and Financial statements for the preceding year; • Accountants' letter confirming tax returns will be consistent with draft tax returns provided; • BAS for at least the last 2 quarters 	<ul style="list-style-type: none"> • 100% of Company / Business profits – the lesser of current year or previous year plus 20% to be used • Non-recurring income is to be deducted from the declared Net Profit e.g. <ul style="list-style-type: none"> ○ Capital Gains ○ Government Grants
Acceptable Addbacks	<ul style="list-style-type: none"> • The following transactions (if evident) may be added back to a self-employed applicant's taxable income 	<ul style="list-style-type: none"> • Depreciation/amortisation • Interest paid on debts being refinanced by transaction under consideration (disclosed on the profit and loss statement) • Interest on any loan which is now repaid in full or to be repaid within the next 6 months. • Hire Purchase / Lease costs if now repaid in full or to be repaid within the next 6 months. • Superannuation paid to company owners in excess of minimum legislated Superannuation Guarantee Levy payment.
Self-employed (non-mortgage loans)	<ul style="list-style-type: none"> • Latest NOA 	<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)

Accountants Letter	<ul style="list-style-type: none"> 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”), 	<ul style="list-style-type: none"> 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.
Return to work income	<ul style="list-style-type: none"> Letter from employer confirming a return-to-work date and hours to be worked and hourly rate 	<ul style="list-style-type: none"> 100% if returning in less than 3 months
Applicants employed by family and/or family run businesses	<p>Income used in affordability assessment to be verified using:</p> <ul style="list-style-type: none"> Minimum 6 months bank statements showing salary credits PLUS Last financial year tax return and NOA, 	<ul style="list-style-type: none"> 100% of current income if evident from bank statements for 3 months prior to application date.

³ Approved loan term not to exceed remaining term of Workers Compensation payment receipt.

2.4. UNACCEPTABLE INCOME

The following income sources are not to be used as a part of any application:

Unacceptable Centrelink Income

- Newstart Allowance
- Sickness Benefits
- Youth Allowance
- Single Parenting Payments
- NDIS Payments

Other Unacceptable Income

- Workers' Compensation Payments requiring periodic reviews
- Scholarship Payments
- Income source from gambling or wagering
- Income from illegal or illegitimate sources
- Income from Boarders
- Loan proceeds of any kind, including drawings from Reverse Mortgages or Centrelink Home Equity Access Scheme
- Any other income deemed unacceptable by Head of Credit Services, Chief Operating Officer, Chief Executive Officer or the Board of Community First Bank.

2.5. LIVING EXPENSES

Assessment of Living Expenses	In all applications the higher of the Declared Living Expenses or Community First Bank Household Expenditure Model (HEM) is to be used.
Community First Bank HEM assessment	<ul style="list-style-type: none"> • Community First Bank will include a 5% buffer to all HEM living expense model calculations.
Common Debt Reducer (mortgage lending only)_	<p>A Common Debt Reducer (CDR) is a person who is not an applicant on the proposed loan but shares common debts and/or commitments (which may include living expenses) with one or more of the borrowers. Typically, this is for a spouse/defacto structure where only one of the parties is an applicant.</p> <ul style="list-style-type: none"> • A servicing assessment must be performed for the CDR, in addition to the normal assessment for the applicant. All income for the CDR is to be assessed and documented in accordance with existing standard lending policy. This will mean that the applicant will have to supply the CDR's income details to be used, otherwise they cannot be assessed.

	<ul style="list-style-type: none"> • Where an applicant shares common debts with their spouse/defacto and supporting evidence can be provided to confirm the said spouse/defacto is able to support their individual debts and 50% of the joint debts, 50% of the joint debt can be used in servicing, and applicant can be treated as single. • Where an applicant shares common debts with a non-spousal relationship, 50% of the joint debt and 50% of income derived from the joint asset can be used in servicing. • To ensure adequate enquiries are made into the spousal/defacto's financial position the applicant's defacto must provide: <ul style="list-style-type: none"> • Signed privacy and consent form • Two recent payslips or last year's financials (as per income verification policy) • Declaration of assets and liabilities • Servicing calculators for both the applicant and spouse/ defacto are required to be held on file confirming the applicant can service their debts individually. • Where an applicant is applying for a loan in their own right and has an existing joint investment loans with a third party to this application, a 100% of the loan/facility balance is required at qualification rates, however rather than only half the rental being considered, 100% of investment income derived from the property is applied.
Apportionment of Rent / Mortgage repayments (non-mortgage loans)	<p>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.</p> <p>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:</p> <ul style="list-style-type: none"> • 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 <i>individual</i> share of the total rent / mortgage commitment; • The commitment included 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. <p>Confirmation of joint ownership of the rent or mortgage commitment can be confirmed using any of the following:</p> <ul style="list-style-type: none"> • 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 lessee
Assessment of Couple vs Single	<p>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:</p> <p><i>"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."</i></p>

2.6. SERVICING

Minimum Net Surplus (ARA)	<ul style="list-style-type: none"> • A minimum surplus of \$1 is required for all applications • No ARA calculation is required for Bridging Loans where there is no End Debt. For Bridging loans with an End Debt, a full affordability assessment is required for the proposed End Debt. • Where the ARA is less than \$200 and the Declared Living Expenses exceed HEM by less than \$500, a full review and analysis of the applicants bank statements are required to confirm living expenses.
DTI	<ul style="list-style-type: none"> • All applications where the prevailing LVR is >70%, 6 times is the maximum DTI • All applications where the prevailing LVR is <70%, 8 times is the maximum DTI
Assessment Rates	<ul style="list-style-type: none"> • An applications assessment rate will be the higher of the following: <ul style="list-style-type: none"> ○ Housing Loans <ul style="list-style-type: none"> ▪ Floor Rate 7.25% ▪ Actual Rate + a 3% buffer ○ Personal loans <ul style="list-style-type: none"> ▪ Fixed Rate loans – Actual charged rate ▪ Variable Rate loans – Actual charged rate + a 3% buffer ○ Overdrafts and Lines of Credit <ul style="list-style-type: none"> ○ Variable Rate loans – Actual charged rate + a 3% buffer ○ Credit Cards <ul style="list-style-type: none"> ▪ Community First Bank credit limits – 3.2% per month ▪ Non-Community First Bank credit limits – 3.75% per month
Floor Rate	<ul style="list-style-type: none"> • Community First Bank affordability assessment floor rate is 7.25%
Investment Loan Buffer	<ul style="list-style-type: none"> • For each investment property (not dwelling), an Investment Property Buffer of \$600 per month is to be added to an applicant’s HEM, to cover the additional costs associated with owning an Investment property which are not included in HEM. • The higher of the applicants Declared Living Expenses or the “adjusted” HEM (including the above Investment property loading) is to be used in the affordability assessment
Buy Now Pay Later (BNPL) facilities	<ul style="list-style-type: none"> • Where an applicant has Buy Now / Pay Later facilities, the facility limit is to be assessed at an assessed repayment of 10% per month of the facility limit. • The facility limit is calculated using the balance outstanding plus available credit from the applicant’s statement.

Exit Strategy	<p>Community First does not apply a maximum age for borrowers for any loan product or purpose.</p> <p>For any housing loan applications where the oldest applicants have had their 50th birthday at the date of application must be supported with an Exit Strategy, acceptable to Community First in the following scenarios:</p> <ul style="list-style-type: none"> a) The loan is secured by the applicant's owner occupied / family home; b) The loan is to purchase or refinance an investment property AND the property will be the applicants only residential property.
Acceptable Exit Strategies	<ul style="list-style-type: none"> • Downsizing of family home <ul style="list-style-type: none"> ○ Require evidence of ownership if not held by the Credit Union • Sale of Investment property <ul style="list-style-type: none"> ○ Evidence of ownership to be provided • Realisation of Investments <ul style="list-style-type: none"> ○ Evidence of ownership and current value to be provided • Accessing accumulated superannuation <ul style="list-style-type: none"> ○ This should only be used as a supporting strategy and supported by amortising the loan to retirement age

2.7. INDEPENDENT LEGAL AND FINANCIAL ADVICE

Legal Advice	<p>Legal Advice to be required under the following scenarios</p> <ul style="list-style-type: none"> • Family Pledge Loans • Director Guarantees when supporting their own company • SMSF Loans (if available) • At risk or vulnerable people • Non-English-speaking people (must be accompanied by a Translator certificate) • When a proposed Guarantor is completely unrelated to the application • Legal Advice requirements can only be waived by Head of Credit Services, Chief Operating Officer, Chief Executive Officer or Loans Committee
Financial Advice	<p>All applicants and Guarantors are to be advised they are entitled to obtain independent financial advice should they wish to do so</p>

3. VALUATIONS

3.1 ACCEPTABLE VALUATIONS

All real estate property that Community First takes as security will be subject to satisfactory valuation. Community First may use any of the following methods / documents to complete a satisfactory valuation:

AVM	<ul style="list-style-type: none"> An Automated Valuation Model (AVM) is a digital tool that uses algorithms and data analysis to estimate the value of a property. It provides an automated, instant valuation based on various factors like property characteristics, sales data, and market trends, offering a preliminary assessment for property buyers, sellers, and lenders. AVMs leverage statistical models and machine learning to analyse vast amounts of data related to properties, including sales records, listing information, property characteristics (like size, location, age), and local market trends. 	<ul style="list-style-type: none"> Maximum LVR applicable using an AVM is 80%
Desktop Valuations	<ul style="list-style-type: none"> A desktop valuation is a property valuation method that estimates a property's worth without a physical inspection, relying instead on publicly available data, market trends, and comparable sales. It's a faster and more cost-effective alternative to traditional, full valuations. A valuer uses online data sources like property records, recent sales data, and comparable property listings to assess the property's value. They analyze market trends and compare the subject property to similar ones in the area to arrive at an estimated value. 	<ul style="list-style-type: none"> Maximum LVR applicable using a Desktop valuation is 80%
Shortform Valuations	<ul style="list-style-type: none"> A short-form valuation is a property valuation report that provides a market value estimate, often used for residential properties and situations like stamp duty or pre-purchase assessments. It's a cost-effective and commonly accepted method, typically involving a valuer's inspection of the property, both internal and external, along with a market analysis of comparable sales. 	<ul style="list-style-type: none"> Maximum LVR applicable using a shortform valuation is 98% (subject to lending policy)
Valuer Generals (VG's) Notice	<ul style="list-style-type: none"> Every three (3) years, the Valuer Generals Department (or equivalent outside NSW) complete a valuation assessment of the land value of all properties in NSW. Property owners receive a notification from the Valuer Generals office every three years, advising the updated valuation assessment. The Valuer Generals valuation assessment is also used as the basis of calculating council rates and is shown on all property owners annual rates notice, usually issued in July each year. Maximum LVR 80% applies when using the Valuer Generals land valuation 	<ul style="list-style-type: none"> Maximum LVR applicable using a Valuer Generals valuation assessment is 80% of the Unimproved Capital Value(UCV) of the property.
Valuation Age	<ul style="list-style-type: none"> All Valuation methods must be <90 days old at the time of assessment and <6 months at the date of Settlement Valuations will remain valid for 12 months for use in future borrowings 	
Valuation Process	<p>Credit Services will determine the most appropriate and cost-effective valuation method to be used when valuing security property. The preferred valuation-escalation chain is as follows:</p>	

- a) Valuer General Notice
- b) AVM
- c) Desktop Valuation
- d) Shortform Valuation

Regardless of the above escalation chain, a shortform valuation will be required in the following circumstances:

- a) Where all other forms of valuation are unacceptable
- b) LVR is >80%
- c) 'Off the Plan' purchases
- d) Favourable purchases
- e) High Density Dwellings (regardless of LVR)
- f) Extended Settlement cycles
- g) Construction Loans

4. LOAN VARIATIONS

4.1 VARIATIONS

Loan Switches	<ul style="list-style-type: none"> • If there is no increase in loan term and no additional borrowings, no assessment is required • Borrowers to confirm there has be no material changes to their financial position since their last full assessment
Top Ups	<ul style="list-style-type: none"> • Full assessment is mandatory
Full Discharge	<ul style="list-style-type: none"> • Current Discharge to be completed and executed by all parties to the loan
Partial Discharge	<ul style="list-style-type: none"> • Current Discharge to be completed and executed by all parties to the loan • If required, remaining property(s) to be re valued to confirm new LVR • LMI to be obtained if new LVR is >80% • Borrowers to confirm there has be no material changes to their financial position since their last full assessment
Security Substitutions	<ul style="list-style-type: none"> • Current Discharge to be completed and executed by all parties to the loan • Borrowers to confirm there has be no material changes to their financial position since their last full assessment • New Security to be valued (see acceptable valuations)
Non-Structural Improvements	<ul style="list-style-type: none"> • Borrowers to provide an itemised list of the works to be completed • Formal quotes/tender to be provided for at least 75% of new lending if >\$50k • If required a new As/Is or As if Completed Short-Form Valuation to be obtained
Second Mortgages	<ul style="list-style-type: none"> • Formal request from the Institution seeking to go 2nd to our 1st Mortgage required • The Institution seeking to go 2nd to our 1st Mortgage must agree and execute our Deed of Priority (current loan balance +6 months of accumulated interest)

5. CONSTRUCTION LOANS

5.1 PURPOSE

Acceptable Construction Loans	<ul style="list-style-type: none"> a) Construction of a maximum of 4 self-contained residential dwellings b) Must be under a Licensed Builders Fixed Price Build Contract (HIA only) c) Construction is scheduled to commence within 6 months of the date of approval
Unacceptable Construction Loans	<ul style="list-style-type: none"> a) Owner Builder b) For the construction of Kit or Relocatable Homes c) Speculative investment purposes (build and sell to repay loan) d) Construction of more than 4 residential dwellings e) Construction of a development that is Commercial in nature f) Completion of partially built dwellings g) Cost-to-Complete construction projects
Minimum Construction Documents	<ul style="list-style-type: none"> a) Fixed Price Build Contract (HIA Only) b) Stamped Plans c) DA or CDC Approval d) Homeowners Warranty Insurance e) Builder All Risk Insurance f) Builders' current license g) "As if Complete" Shortform Valuation
Progress Payments	<ul style="list-style-type: none"> a) Progress Payments to be in accordance with HIA (or equivalent) contract. Contracts cannot be "front-loaded" and must be deemed acceptable by Valuer. "Front-loaded" contracts are those where the value of funds paid to the builder exceed the value of work completed on the security property. b) Sufficient loan funds to be retained throughout the construction period to enable completion. c) Where the construction works are to be completed by an external builder, at least two progress inspections are made during the construction period, including: <ul style="list-style-type: none"> • Progress Payment Claim No. 1 (Construction start) • Progress Payment Claim No. 3

	<ul style="list-style-type: none">• Final Progress Payment Claim (or) <p>d) 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.</p> <p>e) Prior to the commencement of full loan repayments, interest accrued on loan advances is to be paid by borrowers on a monthly basis.</p>
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