

Teachers Mutual Bank Limited

Home Loan Lending Reference Guide – 3rd Party Channel

TEACHERS MUTUAL BANK LIMITED



Current at 1 May 2020

Please refer to your Business Development manager for further details.

Applicant Types	Individual	Must be: – At least 18 years of age – A member of the Bank or eligible for membership of the Bank – Permanent resident or citizen of Australia	
	Guarantors	Must have one of the following relationships with the applicant: – Partner of the applicant (i.e. spouse/de facto) – Family member of the applicant (i.e. parents, child, sibling, grandparent or grandchild) Guarantor must: – Be at least 18 years of age – Be acceptable to the Bank taking into account their financial position (i.e. income, expenditure, assets, liabilities) – Complete a 'Guarantor Information Form' Guarantee will be limited to a specified amount and must be supported by a first ranking charge over a security property acceptable to the Bank The loan amount to be guaranteed will be set up as a separate loan under the borrowers name secured by the borrowers and guarantors security	
	Companies & Trusts	The Bank does not lend to these entities	
Verification of Mortgagors (& Guarantors where applicable)	Face to Face	Mortgagors original identification must be sighted Identification details must be completed on the 'Verification of Identity - face to face' form by the accredited broker A photocopy of the original identification must be taken and endorsed as true copies	
Acceptable Purposes	Housing	Purchase new or existing dwelling for owner occupation or investment Construct new residential dwelling for owner occupation or investment Extension or renovation of existing dwelling Refinance of an existing home loan from another financial institution	
	Personal	Debt consolidation Personal use (e.g. holidays, purchase car) Investment (e.g. purchase shares)	
	Cash Out	0 - ≤85% LVR >85% - ≤90% LVR >90% LVR	Cash out component limited to up to 50% of the security value Cash out component limited to up to 20% of the security value No cash out allowed
No cash out is allowable on any loan where part of the total borrowing has an Interest Only component.			

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Acceptable Income	Applicants Employed in Education Sector	Type of Income	% Allowable	Conditions to be met
		Permanent Full Time	100%	Minimum 3 months in the job, time spent training may be included as length of service
Permanent Part Time	100%	Minimum 3 months in the job, time spent training may be included as length of service		
Fixed Term Contract	100%	Must be permanent full time position under contract, up to 3 years		
Temporary	100%	Must be employed full time for 4 weeks or more in one engagement or 1-4 days per week for two school terms or more		
Casual or Relief	100%	Minimum 3 months in employment		
Allowances (relocation & rental subsidy, location allowance)	80%	Must be a condition of employment		
Regular Overtime	70%	Evidenced by payslips, PAYG Payment Summary or tax returns		
Irregular Overtime	Nil			
Applicants Employed in Essential Services Essential services are: <ul style="list-style-type: none"> • ambulance • fire & rescue/ emergency services • nursing • police 	Type of Income	% Allowable	Conditions to be met	
	Full Time	100%	Minimum three months in the job, time spent training may be included as length of service	
	Regular Part Time	100%	Minimum three months in the job, time spent training may be included as length of service	
	Irregular Casual	Nil		
	Regular Casual	100%	Minimum 3 months in employment	
	Regular Shift Allowance	100%	Proven over three months as evidenced by taxation records, employment contract or payslips	
	Irregular Part Time	Nil		
	Irregular Shift Allowance	Nil		
	Regular Overtime	100%	Proven over three months as evidenced by taxation records, employment contract or payslips	
	Irregular Overtime	Nil		
	Commissions/Bonuses	50% of average of last 2 years	Proven over two years as evidenced by taxation records, employment contract or payslips	

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All Other Applicants – PAYG	Type of Income	% Allowable	Conditions to be met
	Full Time	100%	Minimum 6 months in the job or 12 months in the industry
	Regular Shift Allowance	80%	Must be a condition of employment, or proven over 2 years as evidenced by taxation records, employment contract or payslips
	Irregular Shift Allowance	Nil	
	Regular Overtime	70%	Must be a condition of employment, or proven over 2 years as evidenced by taxation records, employment contract or payslips
	Irregular Overtime	Nil	
	Regular Part Time	100%	Minimum 6 months in the job or 12 months in the industry
	Irregular Part Time	Nil	
	Regular Casual	100%	Minimum 12 months in current employment
	Irregular Casual	Nil	
	Commission/Bonuses	50% of average of last 2 years	Proven over 2 years as evidenced by taxation records, employment contract or payslips
	Vehicle Allowance	100%	Added to gross taxable income. Note: If a fully maintained vehicle is provided with no reciprocal cash flow benefit, \$5,000 can be added to the net income
	Self Employed (includes Sole Trader, Partnerships, Company and Trusts)	Type of Income	% Allowable
Self employed (includes Sole Trader, Partnerships, Company and Trust)		100%	Proven over 2 years as evidenced by personal and business taxation records. Where income has increased over the last two years by \leq 20% the latest year's income can be used. Where income has increased over the last two years by $>$ 20%, then maximum of 120% of previous year's income is to be used.
Self Employed Allowable Addbacks		100%	Interest on loans being refinanced by the Bank Superannuation contributions in excess of 9.5% superannuation guarantee levy (SGL) Non-recurring expenses
		Lesser of actual depreciation amount or 20% of NPBT	Business depreciation (exclude short term items such as computer equipment etc.)

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Company Director	Type of Income	% Allowable	Conditions to be met
	Company director	100%	Proven over 2 years as evidenced by personal and, if applicable, business taxation records
Other Income Types	Type of Income	% Allowable	Conditions to be met
	Residential Rental	60%	Lower of actual gross or current market residential rental
	Residential Rental – reliance on income from 4 or more properties	60% for first 3 properties and 40% thereafter	Lower of actual gross or current market residential rental
	National Rental Affordability Scheme Properties	60%	80% of actual rent paid by tenant
	Commercial Rental Property	50%	Lower of actual gross or current market rental, as per rental lease agreement or rental appraisal by real estate agent
	Employer Maternity Leave Payment/ Paid Parental Leave Payment	100%	Acceptable on the basis that applicant returns to work within 12 months and evidence of return to work date is supplied
	Investment (i.e. interest & dividend income only)	50% of average of last 2 years	Confirmation of current ownership of investment
	Government and Non-Government Pensions	100%	If considered permanent for the next 5 years
	Government Paid Parenting/ Family Allowance	100%	If considered permanent for the next 5 years, except for Family Tax Benefit where acceptable for dependents up to and including 15 years
	Other Income e.g. child support payments, workers compensation	100%	If considered permanent for the next 5 years
Overseas Income	Currency		
	CAD, DKK, EUR, GDP, HKD, JPY, NZD, NOK, SGD, SEK, CHF, USD	80%	Overseas income from self-employed applicants not acceptable
	All other currencies	50%	Overseas income from self-employed applicants not acceptable
Guarantor Income	Not acceptable		

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Verification of Income	PAYG - Primary Verification Methods	<p>Verification of income may be satisfied by one or more of the following methods:</p> <ul style="list-style-type: none"> – The last 3 months of statements from the applicants financial institution showing the continuity of the applicants salary from the relevant employer (i.e. the name of the employer being evident on the statement) – The applicants two most recent payslips showing, as a minimum, the members name, employers name and ABN and the applicants year to date income – Income verified must include income received within 14 days of date of application
	PAYG - Other Verification Methods	<p>Verification may be satisfied by two or more of the following methods:</p> <ul style="list-style-type: none"> – Employment contract – PAYG Payment Summary or Tax Assessment Notice or tax returns – Latest payslip – letter from the employer, dated not more than 14 days old, 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)
	Rental Income	<p>Verification of rental income may be satisfied by one of the following methods:</p> <ul style="list-style-type: none"> – The last 3 months of statements from the applicants financial institution showing the continuity of the applicants rental income from the relevant property via narration on the statement – Valuation report (if undertaken) – Latest rental income statements – Rental appraisal from real estate agent, dated not more than one month old – Current signed tenancy agreement
	Maternity Leave	Letter from employer confirming date and position when applicant is returning to work
	Pension/Government Benefits	<p>Verification of pension or government benefits income may be satisfied by one of the following methods:</p> <ul style="list-style-type: none"> – The last 3 months of statements from the applicants financial institution showing the continuity of the income from the on the statement – Pension or government benefits statements – Applicants last two years tax returns
	Child Support Payments	<p>Verification of child support payments may be satisfied by the following:</p> <ul style="list-style-type: none"> – The Child Support Agency Assessment showing the amount payable and eligible children; and – 6 months worth of consistent payments as evidenced from statements from the applicants financial institution
	– Self Employed (includes Sole Trader and Partnerships)	<p>Verification of income may be satisfied by the latest two full years of personal and business taxation returns. Latest years’ Tax Assessment notice is required. Interim financials are unacceptable.</p> <p>For partnerships, company or trust a current balance sheet and profit and loss statements is required. For sole traders this may be waived if this information is contained in the personal taxation returns and/or application form.</p>
	Company Director	<p>Verification of income may be satisfied by the latest two full years of personal and, if applicable, business taxation returns along with a current balance sheet and profit and loss statement for the business. Latest years’ Tax Assessment notice is required.</p> <p>Interim financials are unacceptable.</p>

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Expenditure	Type	Calculation
	Current Home Loan Repayments	Repayments for existing credit facilities are to be the greater of either: the actual home loan repayment stated by the applicant, or the repayment amount assessed by the Bank based on the current loan limit (i.e. current balance plus any redraw), the remaining P&I term and using the Bank's current home loan Assessment Rate
	Proposed Home Loan repayments	Repayments for the Bank's proposed term loan facilities will be assessed using a standard assessment rate with an appropriate buffer above the actual loan interest rate
	Personal Loan	Actual repayment as stated by the applicant
	Credit Cards	Calculated over a three year term using the credit card interest rate (excluding any introductory rate)
	Overdrafts	2% of the overdraft limit
	Margin Loans/Equity Loans	Calculate the monthly payment using the following: Margin Loan/Line of Credit limit x the Bank's current home loan Assessment Rate / 12
	Other	Actual expense as stated by the applicant
	Notional Rental Expense	Where an applicant is purchasing/refinancing an investment property and has a housing situation of either rent, board or living with parents and the monthly rent payable is stated to be less than \$650 per month, a notional rent amount of \$650 per month will be applied per applicant
Verification of Debt Commitments		All debt commitments of the applicant must be verified. Where a home loan is being verified, statements for the last three months for the home loan are required. Where personal credit is being verified the latest two statements (i.e. a minimum period of 60 days) is required.
Serviceability	Monthly surplus	All applications must demonstrate a positive monthly surplus as determined by the Bank. Monthly surplus is derived from gross income less tax and all outgoings (e.g. proposed loan payments, other loan payments, credit cards, rent paid, living expenses etc.)
	Debt to Income Ratio (DTI)	All applications must demonstrate a DTI of ≤ 8 times
Interest Only Loans	Serviceability Term	All interest only loans will have their serviceability assessed over the remaining P&I term. e.g. Total loan term 30 years, IO term 3 years, serviceability assessment will be over 27 years
	Applicant Objectives	All applications for interest only loans must be accompanied by the reason why an applicant has chosen IO over P&I
	Exit Strategy	Where the contractual loan term will exceed an applicants expected income stream required to repay the facility, evidence of an exit strategy is required to confirm the proposed debts can be paid without financial hardship

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LMI	Provider	Genworth. Note Genworth may have some requirements or restrictions that are additional to this guide	
	LMI Premium	Capitalised on all loans	
Refinancing	Home Loan	Where a home loan is being refinanced, statements for the last three months for the loan being refinanced are required	
	Personal Credit	Where personal credit (e.g. personal loan, credit card) is being refinanced the last 2 statements (i.e. minimum period 60 days) for each debt is required	
Savings History Requirements	When LVR ≤ 90%	No evidence of genuine savings required	
	When LVR > 90%	<p>Evidence of genuine savings required; or Genworth's 'Homebuyer Plus' product selected</p> <p>Acceptable savings include:</p> <ul style="list-style-type: none"> – Funds held or accumulated in savings/transaction accounts or accumulated in redraw capacity in loans accounts for 3 or more months – Term deposits held for 3 or more months – Shares or managed funds held for 3 or more months – Sale proceeds of shares or managed funds – Funds in First Home Saver Accounts – Non preserved superannuation contributions – Accelerated loan repayments over last 3 or more months that are able to be accessed by redraw – Where deposit funds/savings have not been held for a minimum term of three months and satisfactory rental payment history is used to mitigate the genuine savings requirement, the First Home Owner Grant (FHOG) may be accepted to contribute to the 5% savings/deposit requirement. 	
	Gifted Funds	Gifted funds to the applicant should be supported by a letter from the provider of the fund clearly stating that the funds are a gift and are not repayable	
	Loans with family guarantors	When LVR ≤ 80%	No evidence of genuine savings required
		When LVR > 80%	Not available (the Bank does not generate this business)

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Acceptable Securities	All Properties	Residential use properties only First ranking charge only Located in Australia Dwellings must be a private, self contained (i.e. includes bathing and cooking facilities) immobile structure Minimum size for two or more bedroom units, excluding car space and balconies, is 60m ² . Minimum size for studio or one bedroom units, excluding car space and balconies, is 35m ² Must be serviced by power, water, utilities and vehicular access Maximum land area of 40 hectares (100 acres)
	Property Exclusions	Property : – Is contaminated – Has a known flood height above floor level – Is subject to land slip – Is subject to mine subsidence – Is in a time share or serviced complex with management rights – Generates primary production income (hobby farms excepted) – Is an off the plan purchase
	Acceptable Title	Freehold Title Strata, Group or Community Title Company Title Crown Leasehold (only applicable in ACT) Stratum Title (only applicable in Victoria) Residential Area Right and Residential Licence (only applicable in Victoria)
	High Density	High density is classified as a security located in a unit development comprising more than 10 units in particular postcodes as defined in Real Property Classifications, available on the Bank's Broker Portal
	Building Insurance	Required on all security properties, noting Teachers Mutual Bank Limited as mortgagee

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		Product	Conditions
Maximum LVRs with LMI	Owner Occupied Home Loans	Classic Home Loan	Up to 85%, prior to the capitalisation of LMI and any bank fees, if applicable
		All Other Home Loan Products	Up to 95% including the capitalisation of LMI and any bank fees, where applicable, EXCEPT where the purpose is for construction of an owner occupied dwelling, then up to 90% prior to the capitalisation of LMI and any bank fees, where applicable
	Investment Home Loans	Classic Home Loan	Up to 85%, prior to the capitalisation of LMI and any bank fees, if applicable
		All Other Home Loan Products	Up to 95% including the capitalisation of LMI and any bank fees, where applicable, EXCEPT where the purpose is for construction of an investment dwelling, then up to 90% prior to the capitalisation of LMI and any bank fees, where applicable
Maximum LVRs with First Home Loan Deposit Scheme (FHLDS)	Owner Occupied Home Loans	Classic Home Loan	Up to 85%, prior to the capitalisation of any bank fees, if applicable
		All Other Home Loan Products	Up to 95% including the capitalisation of any bank fees, if applicable

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Maximum LVRs without LMI or FHLDS	Owner Occupied Home Loans	Location	Security Value			
			≤\$1m	>\$1m - ≤\$2m	>\$2m - ≤\$4m	>\$4m
		Metro	80%	80%	80%	70%
		Metro (High Density)	70%	70%	70%	70%
		Regional	80%	80%	70%	60%
		Rural	80%	80%	70%	60%
		Not Elsewhere Classified	80%	70%	60%	50%
The maximum LVR is based on the individual value of each acceptable security property. Where more than one security is taken for a loan no single security can exceed the maximum LVR for that security location.						
	Investment Home Loans	Location	Security Value			
			≤\$1m	>\$1m - ≤\$2m	>\$2m - ≤\$4m	>\$4m
		Metro	80%	80%	70%	70%
		Metro (High Density)	70%	70%	70%	70%
		Regional	80%	80%	70%	60%
		Rural	80%	80%	70%	60%
		Not Elsewhere Classified	80%	70%	60%	50%
The maximum LVR is based on the individual value of each acceptable security property. Where more than one security is taken for a loan no single security can exceed the maximum LVR for that security location.						
LVR Restrictions	Four or more dwellings on one title	Maximum LVR is 60%				
	Security is not 'readily marketable'	Maximum LVR is 60%				

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Valuations	Valuation Types	Security Type	Full Valuation	Desktop Valuations and AVMs	Contract of Sale	Valuer-General's/ Rates Notice
		To be purchased	All LVRs	Where LVR ≤ 80% and purchase price is ≤ \$1.5m	Where LVR ≤ 60%	Not applicable
		Already owned	All LVRs	Where LVR ≤ 80%	Not acceptable	Where LVR ≤ 60%
		Company Title	All LVRs	Not acceptable	Not acceptable	Not acceptable
	Contract of Sale	Contracts of Sale must be signed and dated by the vendor and show sale price				
	Valuer General/ Council Rates Notice	The Unimproved Value (i.e. Land Value) will be used for LVR purposes. Capital improvements are to be excluded				
	Non Arms-Length Transactions and Private Sales	A Full Valuation is required for all non-arms length transactions and private sales				
	Residential Developments with Split Contracts	The Bank will only accept the security once the development is fully complete, and the subject property can be occupied and individual titles issued				
Construction Loans	Acceptable Purpose	Construction of a residential dwelling on vacant land Structural alterations/extensions to an existing residential property				
	Exclusions	Owner builders undertaking construction of new loans Owner builders undertaking structural alterations/extensions where costs exceed more than 50% of the land value of the property Refinance of security properties where construction is in progress Properties that have been strata titled Kit home or relocatable dwellings Construction of more than two properties on one title				
	Conditions	An 'on completion' valuation is undertaken upon provision of plans and building tender Progress inspections are undertaken at 'slab' and 'final' inspection stages. More frequent progress inspections may be undertaken if warranted The Bank will manage funding of progress payments directly to the builder				