



# Bulk LMI Underwriting

**Lender Guidelines**

22 September 2016

## Underwriting guidelines

This document provides an indication of QBE LMI's underwriting approach for customers seeking bulk insurance on pools of loans secured by residential property.

## Underwriting process

To obtain a quote for bulk LMI, a customer is required to provide data on each loan in the pool in the form of QBE LMI standard data template. The latest version of data template and associated guidelines are available from QBE LMI on request. Alternative data structures are only acceptable with prior agreement.

QBE LMI will endeavour to provide the customer with a quotation within 10 business days. If detailed due diligence is required, this time may be extended.

The customer must provide details of the full mortgage exposure to each of the borrowers included in the pool of loans, whether or not all loans are to be insured by QBE LMI. This is typically done by providing a 'global' LVR that relates to all loans secured against each group of securities. Where only some of the loans are to be insured, the insured loans will take priority over all other exposures that the customer may have to the borrower. The customer must provide QBE LMI with the most recent date an advance under a mortgage secured by a property in the pool was provided to the borrower.

QBE LMI may consolidate multiple loans into a single policy. This is typically completed based on all loans to a particular borrower and secured by the same property. QBE LMI's credit assessment (including maximum loan limits) and pricing is based on the consolidated data file.

The customer may be required to provide QBE LMI with the credit policies applicable to the loans included in the pool.

QBE LMI conducts due diligence on the consolidated data file derived from data provided by the customer. There are three potential outcomes from this due diligence, which are that QBE LMI may:

1. offer to provide LMI on all loans in the pool;
2. require more information or need to conduct a more detailed due diligence on some or all of the loans prior to offering to provide LMI; or
3. identify loans that are unacceptable to it, exclude these from the pool and offer to provide LMI on the remaining loans in the pool. However, if a customer would like QBE LMI to give further consideration to the excluded loans, more information may be required or a detailed due diligence conducted on these loans.

A more detailed due diligence will typically involve QBE LMI representatives conducting a physical review of individual loan origination files and transaction history.

Throughout this guide, particular loan characteristics have been identified in accordance with the following key. However, this is a guide only and QBE LMI reserves the right to seek further information and conduct detailed due diligence on loan origination files prior to offering to insure pools of loans.

	Indicates preferred loan characteristics.
	Loan characteristics marked with 'ADD' will be highlighted as exceptions to the preferred pool composition and may be subjected to additional detailed due diligence.
	Indicates loan characteristics that are unacceptable.

Furthermore, QBE LMI may conduct additional credit risk scoring on borrowers, and further investigation on securities including AVMs and high risk postcodes. The results of these credit risk scores are also used to determine potential exclusions and/or the need for additional detailed due diligence.

QBE LMI may seek warranties from the customer to support its representations and compliance with this product guide.

## Underwriting policy

The following information is provided as a guide only.

### Maximum LVR and loan amounts (full documentation loans)

Area	Greater than	Equal or less than	LVR <=60%	LVR <=80%	LVR >80%
Metro	\$ 50,000	\$ 750,000	✓	✓	ADD
	\$ 750,000	\$ 1,000,000	✓	ADD	ADD
	\$ 1,000,000	and above	Not acceptable	Not acceptable	Not acceptable
Regional	\$ 50,000	\$ 500,000	✓	✓	ADD
	\$ 500,000	\$ 750,000	✓	✓	Not acceptable
	\$ 750,000	and above	ADD	Not acceptable	Not acceptable
National	\$ 50,000	\$ 500,000	✓	✓	Not acceptable
	\$ 500,000	\$ 750,000	✓	ADD	Not acceptable
	\$ 750,000	and above	ADD	Not acceptable	Not acceptable

### Maximum LVR and loan amounts (low documentation loans): Not Acceptable

### Securities

1<sup>st</sup> registered mortgage over residential property or 2<sup>nd</sup> mortgage where the 1<sup>st</sup> mortgage is also included in the same pool of loans.

✓	<p>Detached &amp; semi-detached dwelling.</p> <p>Unit/Townhouse/Villa type dwelling in a residential development.</p> <p>Security values</p> <ul style="list-style-type: none"> <li>▪ minimum \$200,000</li> <li>▪ maximum <ul style="list-style-type: none"> <li>○ metro \$3,000,000</li> <li>○ regional and national \$2,000,000</li> </ul> </li> </ul>
ADD	Units in high density developments (a high density security is any security located in a building having 6 or more floors or more than 50 accommodation units).
Not acceptable	<p>Vacant land and properties not listed above (such as dual key or resort properties).</p> <p>Groups of loans with more than 5 securities.</p>

## Property usage

	Owner occupied and investment properties.
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## Loan purpose

	Buy new or used property (excluding bridging loans). Refinance, debt consolidation or equity release up to max LVR = 75%.
	Refinance, debt consolidation or equity release >75% Construction loan only where construction is complete and the house has been approved for habitation.
	All other loan purposes.

## Loan payment term

	<=30 years.
	> 30 years.

## Loan payment types

	P&I or P&I with an IO period no greater than 10 years.
	Line of Credit
	IO terms outside of the above & bullet interest.

## Borrowers

Maximum permitted aggregate exposure of QBE LMI to the borrower is \$2,500,000

	Individuals.
	Non-permanent Australian residents. Overseas borrowers. Minimum 1 applicant must have Australian address. Trusts & companies. Deceased estates.

Credit bureau enquiries: QBE LMI may in certain circumstances seek to conduct credit bureau enquiries on borrowers. The customer is required to confirm that its privacy consent permits these enquiries to be conducted by QBE LMI. The customer may be required to provide QBE LMI with an appropriate indemnity in relation to privacy laws.

## Staff loans

	Where credit assessment is the same as other borrowers and based on standard mortgage rate.
	Circumstances contrary to above.

## Loan seasoning (based on most recent advance to the borrower)

	> 1 year.
	<= 1 year.

## Loan performance

	Not 30 days or more delinquent at cut off date Not more than 1 x 30 days delinquent in last 12 months Not 60 days delinquent in past 12 months
	2 x 30 days in last 12 months
	30 days or more delinquent at cut off date More than 2 x 30 days in past 12 months 60 days or more delinquent in past 12 months

## Prior declinature

Loans that have previously been declined for LMI must not be included in the loan pool.