



 QBE | LMI

LMI Guide

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1. Introduction

1.1 About QBE Lenders' Mortgage Insurance Limited (QBE LMI)

QBE Lenders' Mortgage Insurance Limited is one of the largest mortgage insurers in Australia. Although the business names have changed over time, QBE LMI has been operating continuously in the Australian mortgage insurance market since 1965.

1.2 What is Lenders' Mortgage Insurance?

Lenders' mortgage insurance (LMI) covers the lender in the event of the borrower defaulting on their loan. If the property is subsequently sold and the amount from the sale is insufficient to pay off the loan in full, this insurance will cover the lender for the shortfall. The insurer may then exercise their legal right to recoup this shortfall from the borrower. The lender applies for LMI not the borrower and the insurance should not be confused with Mortgage Protection Insurance.

The fee for LMI is paid as a once only fee at loan settlement and varies depending on the amount of money being borrowed and the loan to valuation ratio (LVR).

1.3 How to use this LMI Guide

The LMI Guide is designed to be used as a guide to assist in completing applications for and relating to LMI. It contains information on some common underwriting questions that we receive from time to time. Whilst it is not a comprehensive list of QBE LMI's requirements, each application for LMI must at a minimum satisfy these requirements.

When you submit a LMI application with supporting material as required, it will be individually assessed based on QBE LMI's full underwriting criteria. Your attention is also directed to the requirement to comply with your duty of disclosure. Any queries not covered in the guide should be directed to your Underwriting Manager or Partnership Manager.

QBE LMI will consider any LMI application that does not meet these guidelines based on individual merit if the Lender fully supports the LMI application. QBE LMI reserves the right to accept and approve or decline LMI applications in its absolute and sole discretion notwithstanding the LMI application may comply or appear to comply with these guidelines.

QBE LMI reserves the right to vary our products, terms and conditions and our underwriting criteria from time to time without notice.

Capitalised terms have the meaning defined in section 22 (Glossary of Terms).

1.4 QBE LMI Website

Log on to www.qbe.com/lmi for the following services:

- Servicing capacity assessment – determine a borrower's capacity to pay their financial obligations
- Location wizard – the online business tool of QBE LMI's location limits
- Location guide – a reference of the maximum amounts QBE LMI will underwrite by LVR, and location

- Forms
- QBE LMI residential property market overview
- Latest QBE LMI news

2. Duty of Disclosure

2.1 Your Duty of Disclosure

Before you enter an insurance contract with Us, You have a duty to tell Us anything that You know, or could reasonably be expected to know, may affect Our decision to Insure You and on what terms. You have this duty until the proposed insurance contract is entered into in accordance with the Master Agreement (generally this is the later of QBE LMI having received the Premium or the Lender having satisfied any special conditions).

You have the same duty before You renew, extend, vary or reinstate an insurance contract. However, You do not need to tell us anything that:

- Reduces the risk We insure You for
- Is common knowledge
- We know or should know as an Insurer
- We waived Your duty to tell us about.

If You do not tell us anything You are required to, We may cancel the Policy or reduce the amount We will pay you if You make a claim for Loss under the Policy, or both. If Your failure to tell us is fraudulent, or any misrepresentation by You is fraudulent, We may refuse to pay a claim and treat the Policy as if it never existed.

2.2 Information that must be disclosed to QBE LMI

Information that must be disclosed to QBE LMI includes, but is not limited to:

- Poor conduct on borrower loans (where known to Lender)
- Borrowers' applications previously referred to or declined by another mortgage insurer
- Outstanding statutory obligations e.g. unpaid council rates or body corporate levies, tax
- Adverse credit report or credit history of borrower or any business of which the borrower is a related party e.g. a Company where the borrower is also a director
- Liabilities not disclosed by borrower in application
- If the borrower is not a citizen or a permanent resident of Australia or New Zealand
- Advantageous Purchase
- Private Sale
- Borrower is employed by family members
- Non-compliance with the terms of the Lenders / Funders standard Credit Policy.

Any relationships between any parties to the transaction, including but not limited to:

- Broker / Introducer has a personal, business or employment relationship with borrower, vendor, legal representatives, vendors agent, valuers or any other party to the insured loan
- Vendor has personal, business or employment relationship with borrower, vendor, legal representatives, vendors agent, valuers or any other party to the insured loan
- Borrower has a personal, business or employment relationship with borrower, vendor, legal representatives, vendors agent, valuers or any other party to the insured loan

- Legal representatives for any party to the proposed transactions has a personal, business or employment relationship with borrower, vendor, legal representatives, vendors agent, valuers or any other party to the insured loan
- Vendors Agent has a personal, business or employment relationship with borrower, vendor, legal representatives, vendors agent, valuers or any other party to the insured loan.

3. Applying for Lenders Mortgage Insurance

QBE LMI's product range provides cover to suit a variety of needs depending on a person's financial situation. QBE relies on the Lender to conduct a complete and thorough credit assessment for all loan proposals in accordance with the principles of responsible lending, Applicable Laws and the Lender's own Credit Policy.

3.1 Full documentation

When applying for QBE Lenders' Mortgage Insurance, the following documentation will need to be submitted:

- LMI Proposal form (unless submitting electronically¹)
- Copy of the borrowers' Home Loan Application form
- Lender's serviceability worksheet
- If an application has been referred to another LMI provider, a full copy of any decisions / additional requests from the other LMI provider
- Registered valuation (or approved alternative)
- Lender's supporting notes.

Evidence obtained to support the application must be retained on file, in a retrievable format, for the life of the loan and make available to QBE LMI upon request.

IMPORTANT NOTE: All tax file numbers **MUST** be deleted from all documents prior to submission to QBE LMI.

3.2 Loan Originator representations

If any Loan Originator has been involved in the borrower's loan application the lender agrees to make the following additional representations to QBE LMI at the time of submitting the LMI Proposal to QBE LMI:

- 1) The lender represents to QBE LMI that:
 - a) any Loan Originator acting on the lender's behalf is licensed (or is exempt from the requirement to be licensed, or is the lender's authorised credit representative) as required by all Applicable Laws
 - b) the lender has listed on the LMI Proposal the name of each Loan Originator involved in the marketing, origination, assessment or establishment of the loan(s) the subject of that LMI Proposal and any associated mortgage(s) and collateral security
 - c) the information and statements in and accompanying the LMI Proposal are true and correct and disclose every matter known, or that could reasonably be expected to be

¹ The LMI Proposal form is available upon request at lmi_underwriters@qbe.com.

- known, by the lender to be relevant to whether QBE LMI will decide to provide insurance and if so on what terms; and
- d) the lender has undertaken all checks and verifications as are necessary for it to make the representations in paragraphs (a) to (c) above.
- 2) The Lender further acknowledges and agrees that:
- a) each Loan Originator is the agent of the lender for the purposes of both the provision of the information and statements in and accompanying the LMI Proposal and any contract of insurance arising from the acceptance by QBE LMI of that LMI Proposal
 - b) the knowledge of any such Loan Originator of any matter relevant to the representations referred to in paragraph 1 above, to the information and statements in an accompanying the LMI Proposal and to those matters which the lender is required to disclose in accordance with its duty of disclosure is imputed to and the knowledge of the lender; and this agreement and acknowledgement will be a term of any contract of insurance with QBE LMI arising from its acceptance of the LMI Proposal.
- 3) Without limiting the lender's duty of disclosure (as outlined in section 2) and the representations made in paragraphs 1 and 2 above, the lender acknowledges and agrees that it will be responsible for any non-disclosure or misrepresentation arising from or attributable to:
- a) the acts or omissions of any Loan Originator; or
 - b) any information provided by or through any Loan Originator or which any Loan Originator has omitted to provide.

4. Borrowers and Guarantors

This section outlines the criteria for borrowers and guarantors.

4.1 Acceptable borrowers and guarantors

Individuals	Individuals who are working and living in Australia and are: <ul style="list-style-type: none">• Aged 18 years or older, and• Either a citizen or permanent resident of Australia or New Zealand, or• A spouse or de facto partner of a citizen or permanent resident of Australia or New Zealand who is also party to the loan, and• Who are allowed to live in Australia indefinitely².
First home buyers	<ul style="list-style-type: none">• Individuals who have never owned an owner-occupied and / or investment property³, and• They intend to live in the property being purchased or constructed as an owner-occupied home on settlement of the home loan.
Non-residents	Australian and New Zealand citizens working and living overseas. Spouse or de facto partners are acceptable co-borrowers when they are allowed to live in Australia indefinitely ² . Additional underwriting requirements: <ul style="list-style-type: none">• Purchase or refinance of an Existing Residential Property.• Additional loans only available for home improvements or the purchase of another property.• Original and additional loans to be QBE LMI insured.
Companies	The Company must be registered in Australia or New Zealand. Where the borrower is a Private Company, QBE LMI requires an unconditional, unlimited and irrevocable Guarantee and Indemnity (joint and several if more than one) of each director of the company. <ul style="list-style-type: none">• Directors must meet the individual borrower requirements above.
Trust	The Trust must be registered in Australia or New Zealand. Where the Trustee is a company, the mortgage is to be given in the company's corporate capacity and trustee capacity. In addition, QBE LMI requires an unconditional, unlimited and irrevocable Guarantee and Indemnity from all non-professional trustee directors of the Trustee company. In the case of a unit trust, guarantees are required from all the unit holders. <ul style="list-style-type: none">• Trustees must meet the individual borrower requirements above.
Maximum exposure per borrower	The maximum aggregate exposure for any one borrower with QBE LMI is \$3,000,000. This is subject to a maximum exposure against a single security of \$2,500,000.

² Lenders must verify, and hold on file evidence, that a borrower has the right to work and live in Australia and Foreign Investment Review Board approval is held (where applicable).

³ Lenders must search a borrowers' home loan application and supporting documentation for property ownership.

4.2 Unacceptable borrowers and guarantors

Cover will not be considered for:

- Minors under any circumstances
 - Foreign nationals (e.g. American citizens) who are not co-borrowers with a citizen or permanent resident of Australia or New Zealand
 - Australian and New Zealand permanent resident visa holders living in a country other than Australia
 - Companies with directors and Trusts with trustees living and working in a country other than Australia or New Zealand
 - Company director's purchasing property from their own developments for investment purposes
 - Individuals, Companies, or Trusts that own more than four investment properties
 - Bankrupt borrowers
 - Borrowers with no asset procedures listing in New Zealand
 - Borrowers of convenience (i.e. not receiving a substantial⁴ benefit from loan transaction)
 - Self-Managed Superannuation Fund
 - Self-certified income borrowers.
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⁴ As outlined in the Banking Code of Practice

5. Deposit and Equity

5.1 Funds to complete

Funds to complete a transaction must be from an acceptable source and fully verified. Supporting documentation must meet the minimum verification standards and be held on file for the term of the loan.

The borrower's loan application must evidence adequate funds to complete a purchase including stamp duty and legal fee's utilising a combination of loan proceeds and available funds.

Borrowed funds	Acceptable provided: <ul style="list-style-type: none">• The servicing calculation includes repayment for the borrowed funds• The source of the borrowed funds are fully disclosed and from a source acceptable to the lender and QBE LMI.
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5.2 Genuine Savings

Genuine Savings is defined as a demonstrable savings pattern established over 3 months or from a source held in the name of at least one borrower for 3 months prior to the loan application being received.

Requirement	Where the LVR is above 90%, the borrower must provide at least 5% of the purchase price from genuine savings from any of the following sources: <ul style="list-style-type: none">• Accumulated savings (savings account, term deposits)• Sale proceeds of shares or managed funds (net any tax due)• Equity in the form of real estate (from sale or further borrowings)• After tax bonuses from employer (provided the amount is excluded from income for NSR capacity assessment)• Non preserved superannuation contributions• Additional loan repayments that are available for redraw.
Non-repayable Gifts or Inheritance	<ul style="list-style-type: none">• Acceptable when received from an Immediate Family Member.
Not considered acceptable forms of genuine savings	<ul style="list-style-type: none">• Government grants / rebates (including First Home Owners Grant)• Advance on wages / commission• Barter Card or other swap negotiations• Builder discount / finance or any form of incentive• Proceeds from gambling• Proceeds from illegal activities• Rental discounts• Vendor gift / discount / finance / rebate or any form of incentive• Lender finance of 5% deposit.

6. Employment and Income

Lenders are expected to make reasonable inquiries to verify a borrower's employment and income in accordance with the Minimum Verification Requirements (section 11), Regulatory Obligations and Guidelines.

Borrowers must demonstrate that they can repay their loan commitments and meet ongoing living expenses from the income and work they do without undue hardship.

6.1 Employment

Type of employment	Time in job
Permanent full time / part time / contract	12 months Continuous Employment.
Second job / casual	6 months in current position.
Self-employed	2 years in the same business.

6.2 Income

Type of income	Treatment of income
Salary and Wages (base)	100% of a borrowers' regular income.
Bonus and Commission	100% based on the average of: <ul style="list-style-type: none"> • The last 2 payments if paid annually • The last 3 payments if paid more frequently. Where the borrower incurs business related expenses, they are to be assessed as self-employed (e.g. real estate agent).
Fully Maintained Company Vehicle	\$7,800 net per annum.
Overseas Salary	80% salaried base income and allowances that are a condition of employment converted into Australian dollars in the following currencies: CAD, EUR, GBP, HKD, JPY, NZD, SGD, USD.
Overtime and Allowances	100% if a condition of employment, or 80% confirmed over 3 months.
Vehicle Allowance (not mileage)	100% if a condition of employment, or 80% confirmed over 3 months.

6.2.1 Self-employed income

Acceptable business income is calculated using the lesser of the average total taxable income from the last 2 financial years, or the latest financial year.

Allowable add-backs:

- Director's salaries
 - Voluntary superannuation contributions
 - Non-recurring expense
 - Depreciation (non-taxable)
 - Interest (non-taxable)
-

6.2.2 Other income

Type of income	Treatment of income
Child Support	100% for children 13 years old or younger when received for 3 months. Paid via Services Australia or under Court Order.
Family Allowance A&B	100% for children 13 years old or younger when received for 3 months.
Pensions	100% when permanent. 80% of permanent overseas pensions converted into Australian dollars (see Overseas Salary for the acceptable currency list).
Rental Income	80% of the gross rental income. Maximum 6% rental yield.

6.3 Unacceptable income types

The following income sources are not acceptable to QBE LMI:

- Mileage reimbursement
- Workers' compensation
- Income from boarders
- Unemployment benefit
- Sickness allowance
- Overseas self-employed income
- Overseas rental income
- Overseas investment income.

7. Servicing capacity

Borrowers must be able to demonstrate sufficient income to pay their financial obligations and living expenses without hardship.

Assessment interest rate	The assessment interest rate is reviewed regularly and adjusted in line with market rate movements. A borrower's capacity to repay will be determined using the assessment rate, unless the lender's actual loan product rate is higher, regardless of loan product selected. In instances where the lender's product rate is higher, then the higher rate will be used.
Borrowers	A maximum of 4 borrowers' income can be used in the servicing assessment.
Borrowers approaching retirement	The maximum loan term for a borrower who is 55 years of age or more, purchasing an owner-occupied home, is 30 years.
Co-borrower income	Income from a co-borrower whose immigration visa does not allow them to reside in Australia indefinitely must be excluded from the serviceability assessment.
Interest only loans	Where the total loan amount is interest only, a borrower's capacity to repay will be determined using the remaining principal and interest period.
Living allowances	The cost-of-living assumptions vary according to a borrowers' family unit and are reviewed annually, using the March Australian smoothed income-based Household Expenditure Model (HEM) data. HEM data is subscribed through Perpetual Roundtables. A borrower's capacity to repay will be determined using the higher of: <ul style="list-style-type: none"> • The lender's applied living expenses, or • The Household Expenditure Model expenses by income band per family unit.
Other commitments	These vary according to a borrower's individual circumstances. Additional costs such as private school fees must be included.
Other mortgage commitments	Where a borrower has other mortgage commitments, these repayments must be factored into the servicing assessment. A borrower's capacity to repay will be determined using the higher of the current repayment amount or the repayment amount determined using the assessment rate.
Pensions, family and child support payments	Income from these sources can be entered as non-taxable income in the serviceability calculation.
Split loans	Where the total loan amount is split between fixed and floating interest rates, the assessment interest rate is to apply for the total loan amount.
Total credit card limit	Monthly credit card repayments are calculated at 3.8% of the total limit.

8. Location limits

The maximum LVR is 95% excluding premium capitalisation and 100% including premium capitalisation. Applications submitted above these location limits will be reviewed by the underwriting team on a case-by-case basis.

Location	Property type (min 1 bedroom)	90% LVR	95% LVR
Metropolitan A	House / unit / townhouse / villa	\$2,500,000	\$2,500,000
	Vacant Land	\$900,000	\$900,000
	High-Density Apartment	\$2,500,000	\$2,500,000
Metropolitan	House / unit / townhouse / villa	\$1,500,000	\$1,500,000
	Vacant Land	\$800,000	\$800,000
	High-Density Apartment	\$1,500,000	\$1,500,000
Regional	House / unit / townhouse / villa	\$1,000,000	\$1,000,000
	Vacant Land	\$650,000	Not available
	High-Density Apartment	\$1,000,000	\$1,000,000
	Lifestyle Property	\$1,000,000	Not available
National	House / unit / townhouse / villa	\$650,000	\$650,000
	Vacant Land	\$350,000	Not available
	Lifestyle Property	\$650,000	Not available

Note:

- LVR restrictions apply to investment loans and Off-the-Plan or New-to-Market high-density apartments. See the LMI Location Guide for more information.
- In the case of ImiFirst Home™ Applications, if a location exception is approved by the underwriting team, the FHB rate discount will apply.

9. Property / security

Lenders must hold a 1st charge registered mortgage over the property securing the loan that QBE LMI are insuring.

9.1 Acceptable property type

Residential property type	Maximum LVR excluding capitalised LMI premium
House / unit / townhouse / villa	95%
High-Density Apartment	95%
Vacant Land	95%
Warehouse conversion	90%
Heritage listed	90%
Lifestyle Property	90%
Rural or rural-residential Vacant Land	80%

Note: Maximum LVR is subject to postcode restrictions.

9.2 Minimum requirements

Property used to secure a home loan needs to meet all standard underwriting criteria and the following minimum requirements:

- Must be zoned for residential use
- Minimum 40sqm living area with a separate bedroom excluding balconies and parking
- Connected to the national electricity grid and have a drinkable water supply
- Be accessed via a public all weather road.

9.3 Unacceptable property type

- Property located outside Australia (Mainland and Tasmania only – coastal islands on application).
- Commercial, industrial, or retail property
- Vacant Land where the Borrower has no intention to build
- Speculative purchases or land banking
- Restrictive covenants or conditions, that may result in a repurchase less than market value
- Properties with a residential building located within 50 meters of existing or proposed high tension power transmission lines or stanchion
- Strata Title unit property is an unacceptable security type for construction loans
- Exhibition / display home (remaining a display home post settlement)
- Specialist rural property (e.g. farm, vineyard etc)
- Unit in a strata hotel/motel
- Unit in a retirement or Over 55's complex
- Resort style dwellings
- Mobile Homes
- Studios and Bedsitters
- Conversions (other than warehouse conversions)
- Unit developments where the development is held as security and the number of dwellings exceeds 4 units
- Leasehold properties (where the lease is not a Crown lease or term of lease holding does not exceed LMI policy by 5 years)
- Time-share properties
- Company title, Stratum title, Moiety title and Purple title properties
- Properties affected by contamination
- Subject to resumption orders by State or Commonwealth authorities.

9.4 Assessed on a case-by-case basis

Security properties located in areas designated by local government authorities as being affected by landslip, flooding or mine subsidence can be considered on a case-by-case basis.

9.5 Additional underwriting requirements

The following property types have additional requirements:

Description	Criteria
High-Density Apartment	A maximum 90% LVR applies to New-to-Market or Off-the-Plan purchases in an HDD Restricted Postcode as listed in the QBE LMI Location Guide.
Lifestyle property	<p>Rural or rural-residential zoned property up to 50 hectares in size.</p> <p>The property can generate “hobby farm” income levels which must be excluded from the security value (valuation) and servicing calculation.</p> <p>Improvements must represent a minimum of 50% of the property value and exclude non-residential improvements e.g. barns, sheds, shelters.</p>
Vacant Land	<p>Vacant Land is acceptable when:</p> <ul style="list-style-type: none">• Residential use is permitted• The borrowers’ have an intention to build (no stockpiling or land banking)• Residential blocks \geq 1,500 sqm and rural blocks \geq 2.2 hectares will be considered on a case-by-case basis• Any income generated must be excluded from the security value (valuation) and servicing calculation.• Line of credit facilities are not available.

10. Loan purpose

Home loan proceeds are to be used for the reason(s) disclosed in a borrower's home loan application and be acceptable to the Lender and QBE LMI.

10.1 Acceptable loan purpose

The maximum LVR is 95% excluding premium capitalisation and 100% including premium capitalisation.

Loan Purpose	ImiHome™	ImiFirst Home™	ImiInvest™
Purchase a house / unit / townhouse / villa	95%	95%	95%
Purchase residential Vacant Land	95%	95%	95%
Purchase rural or rural-residential Vacant Land	80%	80%	Not available
Off-the-Plan unit purchase	95%	95%	95%
Construction Loan	95%	95%	95%
Refinance an existing home loan	95%	Not available	95%
Bridging loan	85%	Not available	85%
Cash-out (equity release)	90%	Not available	90%
Consumer Loan	90%	Not available	90%
Debt Consolidation	90%	Not available	90%
Home improvements / renovations	90%	Not available	90%
Investment Loan (not real estate)	90%	Not available	90%

Note: Maximum LVR is subject to product and property type restrictions.

Lenders are responsible for:

- Ensuring that the borrower is not in a worse position following an application for additional lending or refinance.
- Verifying Satisfactory Repayment History Information (RHI) by completing a review of loan conduct over the previous six months or credit / store card facilities over the previous 3 months via either loan statements, or Comprehensive Credit Report (CCR) repayment history information.
- Following Cash-out criteria where funds are being either fully or in part released directly to the borrower on an uncontrolled basis.
- The removal of any covenants or conditions in a Contract of Sale or on the property's title, that may result in a repurchase less than market value prior to settlement.

10.2 Additional underwriting requirements

Additional underwriting requirements apply to the following loan purposes:

Description	Criteria						
Off-the-Plan Purchase	Settlement must be completed within 6 months of the application for LMI.						
Advantageous Purchase (favourable purchase)	A registered valuation is required and must refer to both the nature of the sale and the sale price. The loan amount must not exceed 100% of the purchase price. The LVR is determined using the valuation amount.						
Bridging Loan	<ul style="list-style-type: none"> Maximum bridging period of 6 months (12 months for construction may be considered) Maximum peak debt including capitalised interest is not to exceed the sum of the location amounts that would normally be covered under QBE LMI's location guidelines for the postcode areas in which the properties are located <p>For example: If both securities are in postcode areas where policy permits 85% LVR lending, then maximum peak debt amount is the sum of the 85% LVR maximum lending limits for each individual security's specific location (i.e. one postcode area allows \$500,000 max at 85% LVR, and the other postcode area allows \$350,000 max at 85% LVR, then the maximum available bridging cover is \$850,000 at 85% LVR including capitalised interest).</p> <p>Note: Unavailable where the security property is Vacant Land.</p>						
Cash-out (equity release)	<p>Loan proceeds that are being either fully or in part released directly to the borrower (including line of credit facilities), regardless of the purpose, are subject to the following limits:</p> <table border="1"> <thead> <tr> <th>Maximum LVR</th> <th>Maximum Amount</th> </tr> </thead> <tbody> <tr> <td>≤ 75%</td> <td>Unlimited</td> </tr> <tr> <td>> 75% ≤ 90%</td> <td>\$100,000</td> </tr> </tbody> </table> <p>Full disclosure of what the loan proceeds are to be used for is mandatory and must be acceptable. Applications more than these parameters may be considered where:</p> <ul style="list-style-type: none"> There is supporting documentation evidencing use of funds OR The lender controls the release of funds. <p>Examples of acceptable supporting documentation are:</p> <ul style="list-style-type: none"> Builders quote Purchase contract Confirmation from a financial planner or accountant as to the intended use of funds. <p>Note: Unavailable where the security property is Vacant Land.</p>	Maximum LVR	Maximum Amount	≤ 75%	Unlimited	> 75% ≤ 90%	\$100,000
Maximum LVR	Maximum Amount						
≤ 75%	Unlimited						
> 75% ≤ 90%	\$100,000						
Construction Loan (including the refinance of an existing land loan)	<p>Building a home for owner-occupied or investment purposes. A registered valuation is required and:</p> <ul style="list-style-type: none"> The maximum LVR in a rurally zoned location is 90%. The LVR is determined by the lower of the land purchase price plus the construction costs or the on-completion valuation amount. 						

	<ul style="list-style-type: none"> • A fixed price contract acceptable to the lender and reviewed by the valuer in terms of their updated assessment has been entered into by the borrower. • A limit of two dwellings on the one title.
Consumer Loan	<p>Consumer loans are used to finance the purchase of durables. (e.g. cars, boats, house furnishings).</p> <ul style="list-style-type: none"> • The maximum loan amount is \$500,000 <p>Note: Unavailable when the security property is Vacant Land.</p>
Debt Consolidation Loan	<p>The purpose of a debt consolidation loan is to repay a borrower's other debts. This may arise only as a top up or Additional Loan to be insured under an existing policy.</p> <ul style="list-style-type: none"> • The maximum loan amount is \$100,000 <p>Note: Unavailable when the security property is Vacant Land.</p>
Home improvements / renovations	<p>Depending on the level and nature of work being undertaken, full disclosure of what the loan proceeds are to be used for is mandatory and must be acceptable.</p> <ul style="list-style-type: none"> • An updated valuation is required where the LVR is based on an 'on completion' value. <p>Lenders must:</p> <ul style="list-style-type: none"> • Ensure that the funds are applied to the security property and the additional home improvements are satisfactorily completed.
Investment Loan	<p>Where a borrower wishes to use the funds for "investment" in something other than real estate (e.g. business venture, shares, gold) upon which debt servicing is not reliant.</p>
Private Sale (arm's length transaction)	<p>A registered valuation is required and must refer to both the nature of the sale and the sale price.</p> <p>The LVR is determined using the lower of the purchase price or valuation amount.</p>
Refinance	<p>Where the LVR is greater than 90%, the maximum loan amount is restricted to the amount of the existing home loan and reasonable costs.</p>
Second Mortgage	<p>Maximum aggregate loan (i.e. total of first and second mortgage loans) is subject to the limits within this guide. A second mortgage is acceptable when:</p> <ul style="list-style-type: none"> • The first mortgagee is also the second mortgagee (where the first mortgage is granted under the Defence Service Home Loan scheme a second mortgage with another lender is subject to our agreement); and • The first mortgagee is already insured with QBE LMI (where the first mortgagee is granted under the Defence Service Home Loan scheme a second mortgage with another lender is acceptable subject to our agreement) • Where the first mortgage is uninsured then it must also be insured together with the second mortgage • Subject to maximum LVR limit set for security type, location and loan purpose. <p>The premium rate will be determined on the combined LVR and loan amount less the premium paid on the first mortgage.</p>

10.3 Unacceptable loan purposes

- Development loans (irrespective of how many units are involved), including refinance of property development loans
- Investor loans where the borrower owns more than four investment properties
- Investment loan for a property located in a restricted location as listed in the LMI Location Guide with a LVR greater than 70%
- Strata Title unit property is an unacceptable security type for construction loans
- Vacant Land where there are covenants or conditions in a Contract of Sale or on the property's title, that may result in a repurchase less than market value
- Purchase or refinance of properties not valued on a single residential basis (i.e. where the value of the property includes an amount for development potential)
- Owner builders
- Builder programs
- Payment of taxation liabilities
- Private mortgages or refinance of a private mortgage (including Solicitor's and WRAP loans)
- Refinance of vendor finance loans
- Off the plan unit sales > 6 months
- Second mortgages over Vacant Land or non-amortising loans
- Share equity loans
- Reverse mortgages
- Third party mortgages i.e. where any security offered has one or more mortgagor/s who is neither a borrower nor a guarantor in the loan structure proposed
- Loans where another LMI is insuring and mortgage over proposed QBE LMI security
- Refinance of business or commercial loans.

QBE LMI should be contacted to confirm the maximum combined loan amount and LVR where a combination of:

- Security types
- Loan types
- Purposes or
- LMI products.

may apply.

11. Minimum Verification Standards

QBE LMI relies on information provided by or on behalf of the lender when agreeing to provide LMI.

Lenders are required to verify information used in assessing a loan application prior to submitting the application for LMI to QBE LMI. The lender is ultimately responsible for the accuracy of information provided to QBE LMI, even where the Lender has allowed another party to collect, verify or validate that information.

Supporting documentation, computer-generated copies, and electronic records obtained by the lender to support the application for LMI and compliance with these minimum verification standards must be retained on the Lender's file, in a retrievable format, for the life of the loan and be available to QBE LMI upon request.

If you require clarification of the minimum verification standards for an individual application for LMI, you should contact our underwriting staff who will assist you.

11.1 Reasonableness test

The following tests of reasonableness are provided to assist the lender and its staff in the loan assessment process:

- The borrower's income must be reasonable for their occupation
- The type of income verification documents provided must be typical of the business/industry of the borrower's employer
- The grammar, language and spelling in the employment letter must be to the standard expected in the business/industry of the borrower's employer
- Adverse matters arising from credit reporting agency enquiries must be investigated and the results of the investigation provided to QBE LMI for consideration
- Adverse matters and inconsistencies arising from the loan application must be investigated and the results of the investigation provided to QBE LMI for consideration.

IMPORTANT NOTE: Lenders supporting notes must accompany the application for LMI where these minimum verification requirements cannot be met for reasons deemed acceptable to the lender.

11.2 Income and employment verification

IMPORTANT NOTE: All tax file numbers MUST be deleted from all documents prior to submission to QBE LMI.

The Lender must satisfy itself as to the veracity of the borrower's stated income, using the appropriate options outlined below.

11.2.1 Salary and Wages

For borrower's who derive income from paid employment, the following documents must be obtained:

The most recent computer-generated payslip showing the borrower's name, employers name and Australian Business Number (ABN) (if applicable), and a minimum of 2 pay cycles year to date breakdown of allowances, deductions, income, and tax.

Where the most recent computer-generated payslip does not have 2 pay cycles year to date financial information, one of the following options must also be used for income verification:

- 2 consecutive payslips showing the borrower's name, employer's name and ABN (if applicable), a breakdown of allowances, deductions, income, and tax; or
- Most recent transaction account statements from the borrower's financial institution showing 2 consecutive salary credits with the name of the borrower's employer evident; or
- An up-to-date employment letter or contract (signed by the payroll officer, director, manager or proprietor) on company letterhead, stating the borrower's name, occupation, type of employment (full-time, part-time, casual etc), length of employment, gross salary, allowances, penalty rates, overtime, and deductions; or
- ATO income statement (with "Tax Ready" status) obtained from MyGov account; or
- Most recent Australian Tax Office (ATO) Assessment Notice; or
- Most recent Personal Tax Return; or
- Most recently issued consecutive payslip this financial year and the final payslip from the previous financial year showing 2 consecutive salary credits. Both documents must be from the same employer.

Additional underwriting requirements:

Where the borrower is employed by family or through a family owned or family-controlled company, the borrower's most recent ATO Income Statement must also be obtained.

11.2.2 Self Employed income

For borrower's who are self-employed, the following documents must be obtained:

- ABN or ACN registration for at least 2 years,
- Personal, and where relevant, Business Tax Returns for the last 2 consecutive years, and
- ATO assessment notices for the last 2 consecutive years.

Where a borrower has less than two years trading in their current business but two years prior employment in a similar field, QBE LMI may consider an application for LMI on an exception basis.

IMPORTANT NOTE: Copies of tax returns (on their own) are not sufficient.

11.2.3 Borrowers Approaching Retirement

Whilst retirement ages vary, in the absence of any evidence to the contrary, Lenders need to document and fully verify a borrower's repayment strategy where the highest income earning borrower is 55 years old or more at the time of the loan application.

11.2.4 Company Vehicle / Vehicle Allowance

One of the following documents:

- Borrower's payslips, or
- Borrower's group certificate, or
- Employer letter or Employment Contract confirming the borrower's entitlement to the company vehicle / vehicle allowance.

Reimbursement of mileage is unacceptable.

11.2.5 Rental Income – Ongoing Tenancy

One of the following options must be obtained for each rental property:

- Most recent statement from the real estate agent managing the property evidencing rent received and outgoings paid, or
- Most recent months transaction account statements showing clearly identified rental credits, or
- Copy of current tenancy agreement showing current rent, commencement date and termination date (only acceptable if current; not acceptable if the tenancy agreement has expired or is in the holding over period), or
- Market rental opinion as stated in a valuation of the property being purchased/refinanced, or
- Last tax return and ATO assessment notice (if relevant).

11.2.6 Rental Income – Holiday Letting

One of the following options must be obtained for each rental property:

- Most recent Annual Rental statement from the agent managing the property evidencing rent received and outgoings paid over the last 12 months, or
- Last tax return and ATO assessment notice (if relevant).

11.2.7 Centrelink Income

One of the following options must be provided to confirm receipt of Centrelink Income:

- A letter, dated within the last 6 weeks of the home loan application from Centrelink outlining the:
 - Type of payment (e.g. FTB Part A, Disability Pension etc), and
 - Details of who the benefits are payable for (children's names and ages where applicable), and
 - Amount of payment, and
 - Breakup of payment (e.g. FTB Part A, Part B, Rent Assistance, Pharmaceutical allowance), or
- 3 most recent months transaction account statements showing credits received from Centrelink.

11.2.8 Child Support

One of the following documents must be obtained:

- A letter dated within the last six months from Services Australia or a Court Order showing the amount payable, the names and date of birth of each eligible child; or
- 3 most recent months transaction account statements showing credits received.

Amounts received from private arrangements are not acceptable for inclusion in a borrower's servicing assessment.

11.2.9 Other Income

For all other income, each of the following documents must be obtained:

- Personal tax returns / payment summary, and
- ATO assessment notices for the last 2 consecutive years which confirm the level and consistency of "other income".

11.3 Genuine savings

Where a borrower is required to provide at least 5% of the purchase price from genuine savings one or more of the following options must be used to verify the existence of these genuine savings:

- Savings account statements
- Term deposit statements
- Lender's system record of savings or term deposits
- Statement of sale of share
- Equity in real estate
- Loan contract or loan statement identifying additional repayments that are drawable
- Payslip identifying a bonus from employer
- Letter from employer confirming payment of a bonus
- Statement identifying withdrawable superannuation funds.

11.3.1 Rental Statements – ImiFIRST HOME™

Where 3 months savings account history is not available, QBE LMI will accept a Borrowers rental history for the past 6 months. One of the following options must be provided along with the savings account history that is available:

- 6 most recent months rental statements, from the real estate agent managing the property, evidencing rent paid in the name of at least one borrower; or
- 6 most recent months transaction account statements of an account in the name of at least one of the borrowers, showing clearly identified rental payments being paid.

Rental history must show consistent and timely payments. Any payment overdue by 7 days or more is unacceptable. The latest rental statement must be no more than 30 days old at the time of the home loan application and include the:

- Full name of the tenant or tenants (one or more of which must be the borrower or borrowers); and
- Address of the property; and
- Commencement date of the tenancy; and
- Amount of rent paid per cycle.

11.4 Refinance / debt consolidation

Where the application for LMI relates to a refinance or debt consolidation, QBE LMI requires the lender to verify that the loan being refinanced or the debts being consolidated show a consistent repayment history with no evidence of arrears greater than 15 days past due, default fees or over limit balances.

Satisfactory repayment history can be determined using a borrowers' comprehensive credit report (RHI '0' status) or repayment statements for all credit facilities being repaid as follows:

Home Loans and Personal Loans	6 consecutive months
Credit Cards	3 consecutive months

When utilising statements, the repayment period should include the month immediately preceding the month of the application for LMI.

12. Minimum Valuation Requirements

Each application for lenders' mortgage insurance submitted to QBE LMI will be taken to include a representation by the lender that each externally sourced valuation provided in support of the application complies with these Minimum Valuation Requirements.

12.1 Professional Membership

Each valuation has been completed by a valuer who is registered or licensed where required in that state or territory. The valuer must also be a member of Australian Property Institute (API), Royal Institution of Chartered Surveyors (RICS) or equivalent professional body.

12.2 Standard Valuation Report Format

Each valuation submitted is in the API Property Pro template and is completed in accordance with the API Residential Valuation and Security Assessment Pro-Forma Supporting Memorandum including the four property-related risk ratings and four market-related risk ratings. Each valuation must be addressed to the lender, with allowance for use by QBE LMI and be no more than three months old.

Long form valuations are not standard for LMI and where used must be submitted to QBE LMI for underwriting review.

12.3 Minimum Professional Indemnity Insurance Coverage

QBE LMI has differentiated the professional indemnity insurance requirements by geographic location to metropolitan, regional and national. The following requirements will apply to the valuer company which provided each valuation and the individual valuer who prepared each valuation – compliance with these requirements may be implemented from the next anniversary of renewal of cover (post-effective date of this policy):

Extent of cover	Metropolitan	Regional / National
Professional indemnity insurance – cover per claim of not less than:	\$2,000,000	\$1,000,000
Aggregate liability for claims – Have professional indemnity insurance which does not have an aggregate liability for claims during the policy period less than:	\$4,000,000	\$2,000,000
Excess or deductibility of claims – Valuers are required to have professional indemnity insurance which does not impose an excess or deductible per claim higher than:	\$100,000	\$100,000

Run-off cover must be maintained where there is an acquisition, merger, takeover or closure of a valuer company. The run-off cover must be maintained for a period of no less than 7 years from the date of the last valuation by the valuer company.

12.4 Instructions

The Lender must instruct the valuer in relation to preparation of a valuation report on a single residential basis. A valuation report that includes an amount for potential development is unacceptable. Responsibility for this instruction cannot be delegated to any other party in the loan origination process except for the Mortgage Manager.

Where the Mortgage Manager provides the instructions to the valuer, the names of both the Mortgage Manager and the Lender must be separately and clearly stated on the valuation report.

The Mortgage Manager, the Lender, and QBE LMI must be able to rely on the valuation report.

The valuation instructions must be retained for the life of the relevant Lenders' Mortgage Insurance Policy and be available, on request, to QBE LMI in the event or likely event of a claim.

12.5 Multiple valuations

In the event where the Lender or Lender's agent has received more than one valuation regarding the proposed security property in respect of a loan application, QBE LMI has been provided with a copy of all such valuations.

12.6 Disclaimers or Exclusions or Conditions

The Professional Indemnity Policy must not contain disclaimers or exclusions that in any way limit cover in relation to LMI reliance on the valuation.

12.7 Exemption

In exceptional circumstances there may be in place risk management strategies aimed at eliminating or reducing one or more of the risks addressed by these Minimum Valuations Requirements. In those circumstances a lender may apply to QBE LMI for exemption from one or more of these Minimum Valuation Requirements. In that event, QBE LMI may, in its

absolute discretion, grant to the lender exemption from one or more of these Minimum Valuation Requirements. QBE LMI may grant such exemption on such condition or conditions as QBE LMI considers appropriate in its absolute discretion.

12.8 Breach of representation

If the representation that each external sourced valuation provided in support of an application complies with these Minimum Valuation Requirements is not true in whole or in part, QBE LMI may:

- a) avoid the relevant lenders mortgage insurance policy if the misrepresentation was made fraudulently
- b) reduce its liability under the relevant lenders mortgage insurance policy to the amount that would place QBE LMI in the position in which QBE LMI would have been if the misrepresentation had not been made; and/or cancel the relevant lenders mortgage insurance policy; and/or
- c) cancel the relevant lenders mortgage insurance policy.

13. Loan Type

This section provides an overview of:

- Loan features that are acceptable to QBE LMI for the purposes of LMI
- Additional underwriting requirements, including verification, that apply to specific loan features.

13.1 Acceptable loan types

Loan type	ImiHome™	ImiFirst Home™	ImiInvest™
Principal & Interest (P&I)	95% LVR	95% LVR	95% LVR
Interest only	95% LVR	95% LVR	95% LVR
Line of Credit	90% LVR	Not available	90% LVR
Maximum loan term	30 years	30 years	30 years

13.1.2 Interest only loans

Additional underwriting requirements			
Maximum LVR and term	Repayment type	Maximum LVR	Maximum term
	Interest only converting to P&I.	95%	10 years
Serviceability	Interest only loans will have their repayments calculated over the remaining P&I period i.e. original loan term 30 years with 5 years interest only, repayments will be calculated at P&I over 25 years.		

13.1.3 Line of Credit

Additional underwriting requirements			
Maximum LVR and term	Maximum loan amount	Maximum LVR	Maximum term
	\$750,000	90%	25 years
Property type	Not available where the security property is Vacant Land.		
Other	A line of credit facility should be used in combination with a P&I loan. QBE LMI must insure all loans secured by the same property.		

14. LMI Premium Rates

To obtain information about premium rates for lenders' mortgage insurance please contact:

- Lender should contact QBE LMI
- Mortgage managers and originators should contact your funder.
- LMI minimum premium amount is \$950 inc GST, excluding state/territory Stamp Duty.

Note:

- ImiFirst Home™ - A rate discount may apply to customer pricing when borrowers are purchasing or building their first owner-occupied home.

15. Additional loans – premium calculation

The premium calculation is as follows:

- The LVR is calculated on the new total exposure (determined by adding the Additional Loan amount to the outstanding loan balance or scheduled balance if the existing loan is a Line of Credit or has a redraw option) and the total security value
- The premium rate applicable to the new LVR and new total exposure amount is then applied to the new total exposure amount
- The premium payable will be the premium calculated as above, less the premium previously paid (excluding stamp duty).

Note:

- If the premium payable ends up below the minimum premium, the minimum premium will apply.
- ImiFirst Home™ - For a construction loan, where the rate discount has not already been applied (i.e. the purchase of the Vacant Land did not qualify for the rate discount) the rate discount will be applied to the 'total loan amount insured'.

16. Capitalisation of Premium

QBE LMI will allow lenders to add borrower's LMI cost to the amount borrowed and will include it in the insured loan amount without any additional cost to the premium. The maximum LVR is 95% excluding premium capitalisation and 100% including premium capitalisation.

The maximum LVR is subject to location category, loan amount, loan type, loan purpose, and property type.

17. LMI Premium Refunds

Depending on arrangements between QBE LMI and lenders, a partial refund of the LMI premium may be payable where the mortgage over the insured loan is discharged less than, or equal to, 12 months after settlement of the insured loan AND:

- All loans secured by the insured mortgage are repaid in full; **and**
- QBE LMI is advised within 30 days of the discharge.

A refund will not be payable where:

- The mortgage over the insured loan is discharged more than 12 months after the Settlement Date of the initial loan advance; **or**
- The mortgage over the insured loan is discharged more than 12 months after the Settlement Date of the last insured additional advance; **or**
- The insured loan was covered under QBE LMI's bulk insurance process; or
- The amount of the refund is less than \$500, excluding GST and / or Stamp duty.

It is the responsibility of the lender to advise QBE LMI of the discharge of an insured mortgage and initiate any request for a refund. QBE LMI will then confirm any refund payable.

Borrowers should be advised to direct any premium refund enquiries to their lender.

18. Terminated LMI Policies

It is the responsibility of the lender to advise QBE LMI of the repayment of any insured loan within 30 days of the loan being terminated / repaid.

19. Stamp Duty

Stamp duty is payable on LMI premiums and varies depending on the state or territory the security property is located in. Where the insured mortgage is to be secured over two or more properties in different jurisdictions, the stamp duty will be calculated on the premium apportioned to the relevant state proportionally as to the respective security values.

For more information, please refer to www.revenue.act.gov.au or www.sro.tas.gov.au

20. Policy Variations

'Policy Variations' relate to variations to key attributes of the risks covered in a Lenders' Mortgage Insurance policy, following the payment of the premium. Policy Variations can include:

- Changes to:
 - Borrower or Guarantor
 - Security property
 - Policy Term
 - Loan Type
- Consent to additional uninsured loans
- Reinstatement of policies terminated or cancelled in error
- Reactivation of expired commitments

The section does not cover:

- Approval of Additional Loans/Top-Ups
- Claims of Hardship.

20.1 Variations as described under the terms of QBE LMI's Master Agreement ('LMIP')

a) You may make variations to the Insured mortgage or Loan account or both only with QBE LMI's prior written consent.

Some examples are:

- i. Capitalisation or deferment of a loan repayment.
- ii. Partial discharge, release, or substitution of security property.
- iii. Change of the Borrower or any Guarantor.
- iv. Conversion of principal and interest loans to or from interest only loans (see Note).
- v. Variation of the Expiry date of the Loan term.

Note:

(a)(i) Requires a decision by the Borrower Assistance Team.

(a)(iv) Prior consent from QBE LMI is not required when converting the Insured loan from:

- A fixed interest rates to a variable interest rate (and vice versa), or
- Principal & Interest ("P&I") to Interest Only for any period up to 10 years during the loan term.

20.2 Variations to Borrowers or Guarantors

20.2.1 Amendment to a Borrower or Guarantor

Where an amendment to the name of a borrower or guarantor is required, the Lender must provide a current credit report in the new or corrected name.

20.2.2 Adding or removing a Borrower or Guarantor

To add or remove a Borrower or Guarantor, you are to provide:

- A copy of the new home loan application form which includes all borrowers and guarantors' personal details, and
- Credit report for additional Borrowers or Guarantors, and
- Updated income and employment documentation, and
- Your updated servicing worksheet confirming capacity to service, and
- The reason for the addition to, or removal from, the Insured Loan.

When adding or removing a Borrower or Guarantor, the remaining parties must be acceptable to QBE LMI.

Borrowers / Guarantors of convenience are defined as Borrowers or Guarantors that do not receive a substantial benefit from the loan transaction and are not considered acceptable.

It is not acceptable for a person to be party to a loan simply to provide income or security support for another party.

All Borrowers / Guarantors must have a beneficial interest in the loan transaction either by way of joint ownership of the security and / or dependence on the mortgagor, e.g. in a marital, de facto or civil union relationships.

20.2.3 Death of Borrower or Guarantor

You are required to notify QBE LMI of the death of a Borrower or a Guarantor.

QBE LMI will work closely with you to determine the most appropriate course of action, given the likelihood of complications and delays in the process.

Where possible, provide any information you may have e.g. the intention of the remaining joint tenant/s in relation to the security property, etc.

20.2.4 Consent to change of Ownership or Title

Where a variation to the ownership structure or share percentages of the security property is required:

QBE LMI will consider the request for variation if:

- There is no increase in the loan amount or LVR, and
- You confirm that the loan has been conducted satisfactorily, and
- All parties proposed to be on title are current parties to the Insured Loan, and
- For a property held as tenants in common, the proposed share/split structure demonstrates that all parties have an acceptable level of interest in the property.

20.3 Variations to Security

20.3.1 Substitution of Security:

QBE LMI will consider a request to substitute an existing security property with another, provided:

- The new and / or remaining security(ies) meets policy and product parameters; and
- You confirm the loan has not been in arrears for greater than 30 days over the past 6 months; and
- The valuation for any new security is acceptable.

Cash / Term deposits are acceptable as sole security for substitution for security variations only subject to the following:

- LVR, loan term, and loan amount to remain less than or equal to the current position
- Account to have been conducted in good order and to be in good standing at the time of request
- Regular monthly payments to continue; and
- Substitution variation to be fully completed / settled within 6 months of original property discharge date.

Note: Consent may not be forthcoming if the overall risk position has deteriorated from the original LMI approval.

Where an increase in loan balance is required in addition to the request to substitute security, this is deemed to be a new risk. A new LMI application should be submitted to QBE LMI underwriting for assessment.

20.3.2 Partial Release of Security

(A) Loans that have been insured with multiple security properties can be considered for release when one or more of the properties is sold, provided:

- You are applying full net proceeds to the outstanding balance as a permanent reduction to the insured loan; and
- The remaining security(ies) meet(s) policy and product parameters; and
- The sale price has been determined by an on-market sale process through a licensed real estate agent; or
- Fair sale price has been achieved, evidenced by an updated valuation and a signed Contract of Sale.

A new LMI application is to be submitted where an increase in loan balance or LVR is required, and you are not receiving full net proceeds. This may require a new LMI premium to be charged.

20.3.3 Current Arrears Evident

In addition to the above, where there are arrears greater than 30 days over the past 6 months, or hardship cases, you are to provide the following:

- Copy of settlement statement (to ensure application of full net proceeds to the loan account and that no additional costs or disbursements have been included), and
- Signed contract of sale.

20.3.4 LVRs above Product Limits

The partial release of a security may result in an LVR exceeding the normal underwriting policy.

Full cover will continue when:

- You are receiving full net proceeds, and these are being applied to the outstanding balance as a permanent reduction of the insured loan; and
- The sale price has been determined by an on-market sale process through a licensed real estate agent; or
- Fair sale price has been achieved, evidenced by an updated valuation and a signed Contract of Sale.

You are to provide the following:

- Copy of settlement statement (to ensure application of full net proceeds to the loan account and that no additional costs or disbursements have been included), and
- Signed contract of sale.

(B) QBE LMI will consider the release of a security property that is no longer required as part of the insured loan, provided:

- The remaining security meets policy and product parameters; and
- You confirm the loan has not been in arrears greater than 30 days over the past 6 months; and
- You confirm there has been no diminution in the Borrowers' financial situation; and
- You are satisfied with the reason for the removal of the security from the Insured Loan.

Note: Consent may not be forthcoming if the overall risk position has deteriorated from the original LMI approval.

20.3.5 Consent to other Security Variations

Other variations to the insured security can include subdivision, realignment of boundaries, easements, carriageways, right of way, leases or caveats.

If it is considered that there is a material change to the value of the Security Property, then an updated valuation will be required with the Valuer specifically commenting on the factors that led to the change. Where applicable the Valuer is to confirm that he has sighted Council Approved plans.

If now new valuation is provided, consideration may be given to a security exception on the following basis:

- No increase to Loan Amount or LVR, and
- Good conduct of Insured Loan to be confirmed by Lender, and
- Minimum, or no material, adverse effect on the Security Property.

20.3.6 Consent to second mortgages:

When consent to register a second mortgage is required, you are to advise the name of the second mortgagee and the amount to be secured by the second mortgage.

QBE LMI will consider a request to a second mortgage provided:

- LVR, loan term, and loan amount remain 'as is'; and
- You confirm that loan has not been in arrears greater than 30 days over the past 6 months; and
- Regular monthly home loan repayments will continue.

20.4 Variations to Policy Terms

Where a conversion to, or extension of an Interest Only period is requested, QBE LMI allows Lenders to approve an Interest Only period in accordance with the provisions of our LMIP, provided:

- Total Interest Only period does not exceed 10 years within the life of the Policy, and
- Satisfactory Repayment History of the Insured Loan is to be confirmed by the Insured Lender, and
- There is no increase in the Insured Loan Amount, LVR or Term.

20.4.1 Convert Loan / Income / Product Type

If the borrower wants to convert from the old product type, the following requirements must be satisfied:

- The request must fall within QBE LMI guidelines for product and LVR, and
- There must be no increase in the Insured Loan amount or LVR, and
- Satisfactory Repayment of the Insured Loan is to be provided, and
- Where arrears history is evident, consent may be given if it is evident that the product conversion places QBE LMI in an improved risk position, and
- Capacity to service must be evident where loan term reduction is to be considered.

20.4.2 Amendment of Policy Term

Amendments to policy term apply only to QBE LMI policies. The maximum policy term is 30 years.

QBE LMI will consider an extension of term where the following criteria are satisfied:

- Policy term (from commencement of risk) does not exceed the maximum, and
- There is no increase to Insured Loan amount or LVR, and
- Lender confirms Satisfactory Repayment History of the Insured Loan, and
- Amended policy term to comply with QBE LMI guidelines for loan product e.g. maximum term of a LOC is 25 years.

Example 1: Loan has an initial term of 25 years and Lender requests to extend the term. This is allowable to a maximum term of 30 years, that is, an increase of 5 years.

Example 2: Loan has an initial term of 25 years and has been in force for 10 years and the Lender requests to extend the term. This is allowable to a maximum of 30 years, this example, also, is an increase of 5 years.

Where the Lender advises a permanent reduction to the term of the Insured Loan (e.g. from 30 years to 20 years) Lender must provide an updated servicing sheet to confirm affordability.

20.4.3 Expired Commitment (Approval)

If you require an extension to the expiry date of a Commitment to Insure (LMIA) without providing the premium, the request should be forwarded to Underwriting.

If you are sending a premium for a commitment which has expired QBE LMI requires the following:

If late payment is due to:

- Delayed settlement – you are to advise Settlement Date and confirm that there have been no material changes to the insured risk, or
- If the loan has been settled but neglected to send the premium in error, you must advise Settlement Date and confirm good repayment history.

If unacceptable, or if not yet settled, you will be advised that an application needs to be re-assessed. The premium will be returned.

20.4.4 Consent to uninsured increases

Where a further advance is being made to the Borrower secured by the Insured Mortgage and LMI cover on the additional advance is not required, you are to confirm that total borrowings meet your servicing guidelines, and advise the new loan amount, LVR and confirm that there is no increase in the policy loan term. You will need to confirm that the Additional Loan is uninsured, and the total loan is not to exceed 80% LVR.

20.5 Applying for a Policy Variation

When submitting a request for a Policy Variation, you will need to submit the following:

- Policy Variations Request form, and
- Documentation relating to the specific request, and
- Income and Employment Verification documents (as outlined earlier in the LMI Guide).

21. Changes for Policy Endorsement

Partners with a Delegated Underwriting Authority (DUA) or Servicing Policy Alignment (SPA) arrangement, must seek QBE LMI's written consent to material policy changes that are applicable to LMI, or where the change could reasonably be expected to have a material effect on QBE LMI's decision whether to approve a Proposal.

21.1 Lenders with Delegated Underwriting Authority (DUA):

Amendments to Credit Policy in the following areas are required to be sent to QBE LMI for endorsement prior to go-live.

21.1.1 Borrowers and Guarantors

- The definition of acceptable or unacceptable borrowers or guarantors.

21.1.2 Servicing

- Updates to income shading less than Regulatory guidelines
- Loosening of verification standards
- Use of a rental yield greater than QBE's.

21.1.3 Deposit and Equity

- Sources of Funds to Complete (including Genuine Savings requirements).

21.1.4 Security

- Additions or updates to, acceptable or unacceptable security
- Increases to maximum LVR's
- Minimum valuation requirements.

21.2 Lenders with Servicing Policy Alignment (SPA):

Amendments to Credit Policy for the purpose of determining a Borrower's capacity to repay a loan (or additional loan as the case may be) are required to be sent to QBE LMI for endorsement prior to go-live for the following:

- Updates to income shading less than Regulatory guidelines
- Loosening of verification standards
- Use of a rental yield greater than QBE's.

21.3 Required documents

The following are required for QBE to complete its review for material and non-material policy changes:

- Lenders Credit Policy or proposed policy wording
- Summary or list of policy changes.

QBE must be notified of all other changes to the Lenders policy that are applicable to LMI.

22. Glossary of Terms

Term	Definition
3 rd Party Introducer	Name of 3 rd party introducer who submitted application to lender (if applicable).
Additional Loan (top-up)	A further advance to an existing loan.
Advantageous Purchase	A purchase between related or known parties at a discounted price.
Applicable Laws	Includes, but is not limited to, the <i>National Consumer Credit Protection Act 2009</i> (Cth), the National Credit Code set out in Schedule 1 to that Act and any other applicable credit code.
AUD	Australian dollars.
Borrowers' Contribution	Funds provided by the borrower to purchase the property.
Borrower or Guarantor of Convenience	A borrower or guarantor that is added to the loan to provide income and / or security support but who does not receive a tangible benefit from the transaction.
Branch / Office	Office / Branch of the Introducer / Mortgage Manager that introduced application to lender.
Bridging Loan	Used when the borrower purchases another property before selling their existing property.
CAD	Canadian dollars.
Cash-out (equity release)	Funds released directly to the borrower on an uncontrolled basis.
Comprehensive Credit Reporting (CCR)	A borrowers' credit information such as repayment history, open and closed accounts, credit enquiries and other information.
Construction Loan	Loan proceeds are being used to build a home. May also be when carrying out extensive structural improvements or repairs.
Consumer Loan	Loan proceeds are being used to cover a set of specific expenses.
Contact	The person QBE LMI is to contact with any questions / enquiries in relation to the application (may be Loan Writer or Contact in centralised credit office).
Continuous Employment	Means working for 12 months with no more than a break of 30 days between employers.
Contract of Sale (COS)	Agreement between the vendor and purchaser of a residential property or Vacant Land.
Credit Policy	A lenders' residential lending policies and procedures.
Cross Collateralisation	Use of equity in all properties held as security by a lender that secures all debts for the same borrower.
Current Scheduled Balance	Current loan balance plus any redraw.
Debt Consolidation	Combining multiple debts with the borrowers' home loan.
Delegated Underwriting Authority	Lenders have the authority to commit QBE LMI to provide LMI cover for home loans that comply with agreed underwriting standards.
Duty of Disclosure	All applications require compliance with QBE LMI's Duty of Disclosure as outlined in sections 2.1 and 2.2.
Existing Residential Property	A property that has been sold on the open market more than once since its completion.

Existing Unit	A unit that has been sold on the open market more than once since its completion, or where the original purchase was over 12 months ago.
First Home Buyer	Borrowers purchasing or building an owner-occupied home for the first time.
Fully Maintained Company Vehicle	The borrower has been supplied a vehicle paid for by their employer for work and private use.
EUR	Euros.
GBP	Great British pounds.
Hardship	Where a borrower is experiencing difficulties in meeting their financial commitments due to unforeseen circumstances, changes in their economic environment, or personal set back.
HDD Restricted Postcode	A High-Density Apartment in a postcode with a maximum LVR of 90% for a New-To-Market or Off-the-Plan purchase.
High-Density Apartment	A unit within a development of 6 or more floors or more than 50 apartments.
HKD	Hong Kong dollar.
Home Loan Application	Information disclosed by the borrower when applying for a home loan.
Immediate Family Member	A spouse, de facto partner, parent, child, sibling, grandparent, grandchild. Includes blended family and adoptive relationships.
Insured Loan Amount	The amount which is insured by QBE LMI.
Interest only	Loan facility that the borrower is only required to meet the interest repayments for a specific period.
Investment Loan	The purchase or construction of a residential property to rent out. It may also include borrowing secured by a residential property for investment purposes.
JPY	Japanese yen.
Lender / Funder	Name of Lending Organisation / Wholesale Funder.
Lender Reference Number	The reference number assigned by the lender to the application.
Lifestyle Property	Property zoned rural or rural / residential on a larger section of land.
LMI premium capitalisation	Adding the cost of the LMI premium (including stamp duty) onto the insured loan.
ImilInvest™ Restricted Postcode	An investment property in a postcode with a maximum LVR of 70%.
Loan Originator	Any person or entity who is involved in the marketing, origination, assessment, or establishment of, the loan to which the LMI Proposal relates and any associated mortgage(s) and collateral security. It may include an agent, a mortgage broker, a 3 rd Party Introducer, a Loan Writer, a Mortgage Manager, any person appointed to manage a trust, an aggregator and a settlement agent. It includes any of them whether they act as the agent of the lender, or of the borrower, and whether they act independently.
Loan Originator representations	If any Loan Originator has been involved in the borrower's loan application the lender must agree to make additional representations to QBE LMI – those representations are outlined in section 3.3 headed "Loan Originator representations".

Loan to value ratio (LVR)	The value of the home loan divided by the lower of the property value or purchase price.
Loan Writer	Name of the individual who interviewed the borrowers.
Location Wizard	The online business tool of the maximum amounts QBE LMI will underwrite by LVR and Location for owner-occupied and investment properties.
Location Guide	A document of the maximum amounts QBE LMI will underwrite by LVR and Location.
Migrant Co-borrower	A foreign national living in Australia who can live in Australia indefinitely and is the spouse of de facto partner of an Australian or New Zealand citizen or permanent resident.
Minimum Valuation Requirements	All valuations must comply with QBE LMI's valuation policy – as outlined in section 12.
Minimum Verification Standards	Lenders must verify the accuracy of borrower's information including income and employment data in accordance with the Lenders policies and QBE LMI's Minimum Verification Standards – as outlined in section 11.
Negative gearing benefit (NGB)	The interest expense from an investment property loan that can be deducted against the borrowers' total income (including rental, salary or business income). It reduces a borrowers' taxable income.
Net servicing ratio (NSR)	The ratio of all commitments as a percentage of the borrowers' net (after tax) income.
New-To-Market	Any property that is 'brand new', never been lived in, purchased in an arm's length On The Market transaction.
Non-Arm's Length Transaction	The sale of a property where the vendor and purchaser are related or known to each other. A real estate agent is not involved.
Non-Resident NZD	An Australian or New Zealand citizen not living in Australia. New Zealand dollars.
Off-The-Plan	The purchase of a property that is yet to be built.
On The Market	A property marketed and sold through a licensed real estate agent.
Overseas	In or from a country other than Australia.
Principal and Interest (P&I)	A loan repayment that includes an amount to reduce the principal owed and covers the interest charged against the home loan.
Private Sale	The sale of a property between parties that are not related or known to each other. It does not involve the intervention of a real estate agent. Considered an 'arm's length' transaction.
Refinance	Pay out of an existing home loan (usually through another lender) using the same security property.
Regulatory Standards and Guidelines	Includes, but is not limited to, Australian Prudential Regulatory Authority (APRA) Australian Prudential Guidance (APG) 223 and Australian Securities and Investments Commission (ASIC) Regulatory Guidance (RG) 209 and any other relevant obligations and guidelines.
Repayment History Information	Found on a borrower's credit report. Information about whether they have met their consumer credit payment obligations in a particular month
Restricted Postcode	A postcode / suburb where the maximum LVR has been reduced.

Satisfactory Repayment History Information (RHI)	No evidence of arrears greater than 15 days past due, default fees, or over limit balance. CCR repayment history information status of '0'.
Security / ies	Property address allowing for an additional property and confirming dwelling type: <ul style="list-style-type: none"> • if dwelling new or not previously occupied / lived in – New Dwelling • if dwelling has previously been occupied / lived in – Used Dwelling with options differentiating Vacant Land or Construction Loan.
Self-employed	Borrowers who derive more than 50% of their income as a sole trader or from partnerships, companies or trusts.
Servicing Policy Alignment	Acceptance of a Lenders Credit Policy and serviceability thresholds.
Settlement Date	The date the sale of the property is completed.
SGD	Singaporean dollars.
Term	The period the loan has been advanced for or the remaining period of an existing loan.
USD	United States dollars.
Vacant Land	Unimproved land zoned either residential, rural, or rural residential. Residential use must be permitted.
Vendor finance (Solicitor and WRAP loans)	The Vendor allows a portion of the purchase price to be paid instalments over a specified period. The title is transferred into the purchaser's name when the final instalment is paid.



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