

Servicing and additional Lending Policies

Acceptable Employment & Income

Employment Type	Income Definition	Allowance
Full or Part-Time or Contract (PAYG)	Base salary, allowances and shift penalties. PRIME[^] <ul style="list-style-type: none"> Minimum 12 months continuous employment within same industry, or Minimum 6 months employment with current employer. NEAR PRIME CLEAR, NEAR PRIME OR SPECIALIST No minimum time frame required.	100%
Casual or Second Job	PRIME or SPECIALIST PLUS Minimum 12 months continuous service with current employer. NEAR PRIME CLEAR, NEAR PRIME OR SPECIALIST Minimum 6 months continuous service with current employer (with minimum of 18 months continuous employment within the same industry)	100%
Overtime	100% if a condition of a borrowers employment, 50% if confirmed as being regular for 6 months from the same employer.	100%
Commission/Bonuses	PRIME 100% if confirmed as received for the last 2 years from current employer. The average of the last 2 years is to be used in the servicing assessment. NEAR PRIME CLEAR, NEAR PRIME or SPECIALIST Must be demonstrated over the last 12 months.	100%
Self-Employed	Acceptable forms of income including Net Profit Before Tax, Directors wages/salaries, Depreciation, Interest on debts being refinanced and Superannuation contribution in excess of 11%. Full Doc - Minimum self-employed period of 24 months Alt Doc PRIME & NEAR PRIME CLEAR - Minimum self-employed period of 24 months. NEAR PRIME - 12 months ABN(Clear Credit Only) else 24 months SPECIALIST and SPECIALIST PLUS - Minimum self-employed period of 6 months.	100%
Centrelink Pensions	Centrelink Pension received (e.g. aged, invalid etc.). ^{^^}	100%
Superannuation	Pension or annuities.	100%
Rental Income	Rental income to be received post settlement.	80%
Housing Allowance	Allowance provided by employer or government bodies (not accepted on PRIME).	100%
Interest and Dividends	Income from cash deposits held or share portfolios. Two years consistency required. Capital gains on sale of assets is not acceptable.	100%
Forms of Guaranteed Income	Inheritance and trust beneficiaries etc (not accepted on PRIME).	100%
Child Support Payments	If a court order or a child support agency agreement exists or proof of receipt for a period of 3 months continuous payments with no age restrictions. The following evidence of receipt of payments is required: <ul style="list-style-type: none"> Proof of receipt of maintenance for a continuous period of at least 3 months by way of savings statements; or Child Support Agency letter to confirm the maintenance agreement. Accepted for prime home loans if the customer receives the payment for the next 5 years or more. Accepted for non-conforming* loans if the payment is received for less than 5 years and if the customer can maintain servicing once the payment ends.	100%
Family Payments	Family assistance payment for dependent children regardless of age (Part A, Part B and parenting payments will be used; rental, sickness and pharmaceutical allowances will not be used). Accepted for prime home loans if the customer receives the payment for the next 5 years or more. Accepted for non-conforming* loans if the payment is received for less than 5 years and if the customer can maintain servicing once the payment ends. Foster Income only to be used to offset the living expense of any foster children. Income received above this value cannot be used for servicing of other commitments.	100%
Fully Maintained Company Car	Maximum of \$5,000 can be added to the Gross Taxable Income.	Up to \$5,000
Car Allowance	100% if a condition of a borrower's employment.	100%
Maternity Leave	If a customer is on or due to go on Maternity Leave, servicing will be based on the lowest income being received during the leave period. Period gap in income needs to be covered by savings and cannot exceed 3 months. The following evidence of income is required: <ul style="list-style-type: none"> Last 2 payslips and letter from employer stating commencement and return to work date, work arrangement and Salary upon return. OR Letter issued by Centrelink confirming paid parental leave Savings evidence to cover gap in income (if applicable) 	100%
Foreign Income	Accepted for non-conforming home loans. Customers must be Australian residents and have PAYG income deposited into an Australian bank account by the employer. Income can be from a foreign company and doesn't need to have tax paid in Australia. Foreign self-employed income is not considered.	100%

[^]Where the borrower is on probation, application can be considered based on the strength of the borrower's overall position

^{^^} Applicants that derive majority of their income from Centrelink and Social Benefits Income can qualify for a maximum 75% LVR.

Please note:

- The % of income allowed is based on the borrower being able to meet the Acceptable Employment Type policy.

- An average of the last 2 years income is used for servicing unless the most recent year is less than the average. In this case, the most recent year is used. Applies to Full Doc applications only.

*Near Prime Clear, Near Prime and Specialist

Servicing

All loans to be serviced at a benchmark rate of 5.50% or 2.00% above the applicable rate, whichever is the higher. The serviceability interest rate buffer may be adjusted down to 1% where the:

- transaction is the purchase of an investment property; OR
- transaction is to refinance a home loan or consolidate debts with no more than \$20,000 cash out; OR
- loan interest rate will have an initial Fixed period.

To qualify for this 1% interest rate buffer for serviceability;

- the maximum LVR is 80%; AND
- the minimum Equifax One Score or Comprehensive Credit Score is 700 AND
- no RHI > 0 on all debts or default listings in the last 12 months & no unpaid default listings

Applicants that have majority of their income from Centrelink and Social Benefit Income can only qualify for a maximum 75% LVR and serviceability must be a minimum of 1.25x. For loans with an LVR of greater than 90%, serviceability must be a minimum of 1.25x.

For customers with an aggregate LVR greater than 70% AND aggregate loan balance of greater than \$1.5m, serviceability must be a minimum of 1.25x

Refer to Pepper Money's serviceability calculator on pepper.com.au/broker

Negative Gearing:

Negative Gearing is accounted for during the loan assessment.

Sole Applicants in Spousal Relationships:

If a sole borrower is in a spousal relationship and household cash flow is split, we will take 50% of joint debt repayments and apply a single living expense view for our applicant. The loan will be subject to a servicing test at both a household and applicant level. The following documentation is required for the non-borrowing spouse:

- Income verification documents
- Asset and Liability Statement
- Living Expenses Statement
- Signed Privacy Act

Security

Lending Areas:

Lending areas based on postcode listing:

- Category 1 Maximum LVR 95%
- Category 2 Maximum LVR 95%
- Category 3 Maximum LVR 75%
- Category 4 Maximum LVR 70%

Maximum Exposure Limits:

- The maximum exposure per client is \$4,000,000 for non-conforming loans (can be made up of multiple securities)
- The maximum exposure for Prime is \$2,500,000 (Syd/Melb Metro) and \$2,000,000 for all other locations
- The maximum exposure limits for non-conforming and Prime cannot be combined

Developments and Units:

Maximum three securities per development or maximum exposure not more than 25%.

Restriction on units within high density post codes apply. Unit blocks cannot be comprised of more than 35 units when located within a high-density post code (see website for

locations).

New units (< 12 months old) are not acceptable if part of a development comprised of more than 35 units.

Maximum LVR on new units (< 12 months old) of 75%.

Units must have a minimum internal floor size of 40sqm.

Darwin Securities

Securities located within Darwin and where the value is >1.5 times the local (postcode) median house price are considered not acceptable.

When a unit is located in a development consisting of 35 or more units it is an unacceptable security. The maximum LVR on all other units located in Darwin is 70% (exclusive of fees).

Western Australian Securities:

- Maximum LVR of 85% where the loan is secured by a unit.
- Maximum LVR of 85% for Interest Only loans

Will Not Lend On:

Rural properties, commercial properties, relocatable and mobile homes, serviced apartments, studio apartments, resort complexes, retirement villages, bedsits and heritage listed buildings.

Responsible Lending

Pepper Money is committed to responsible lending. We recognise the importance of working with our valued distribution partners to ensure we all play our part in conducting business in an ethical and responsible manner. To find out more about Pepper Money's approach to responsible lending visit pepper.com.au/responsible-lending

Cash Out

Pepper will accept the stated purpose at credit assessors discretion however for loans with cash out of >100,000, Pepper may also require verification of the use of cash out when assessing the intended purpose and the customers overall profile.

Prime

No limit on cash out if LVR is < 80%. Cash out portion is limited to 20% of security valuation if LVR > 80%.

Additional Lending Policies

All mortgage applications must clearly demonstrate a financial benefit to the applicant(s).

Pepper Money Will Lend To:

- Private partnerships, individuals, companies, trustees (maximum 6 borrowers).

Non-Conforming and Private or Solicitor Loans:

Will refinance non-conforming, private and solicitor loans.

Security Titles Considered:

Torrens, old system, community, crown lease

Portability:

Pepper Money offers portability on all new loans subject to eligibility criteria. Portability policy allows for like for like change of security i.e. Category 1 postcode to Category 1 postcode, House to a House, Unit to a Unit.

Personal Bank Statements:

Applicants' last three months personal bank statements may be needed at credit assessors discretion for positive confirmation of their declared living expenses.

Loan Statements:

- Loan statements are not required where the loan Repayment History Information (RHI) can be verified on the Applicant's credit file obtained by Pepper Money. In such cases proof of balance and payment details may still be required prior to settlement.

Where the RHI is not available, then the following is required:

- 6 months mortgage statements required on any owner occupied or investment loan being refinanced.
- 12 months mortgage statements required on refinancing of non-conforming loans.
- Most recent statement (or last 3 months statements for Prime loans) for consumer debts (credit cards, personal loans) being refinanced.

Repayment History Information (RHI)

Repayment History Information indicates whether the minimum repayment on a credit account was made on time (or within a 14-day grace period) and if not, how late the payment was made. The RHI column shows the number of months that the minimum repayment was not met. The corresponding product column shows product placement for such repayment history.

Mortgages

RHI	Product
0	Prime / Near Prime Clear / Near Prime
1	Specialist
2	Specialist Plus
3	Specialist Plus
4	Specialist Plus
5	Specialist Plus
6	Specialist Plus
X	Specialist Plus

Non Mortgages

RHI	Product
0	Prime
1	Near Prime Clear
2	Near Prime
3	Near Prime
4	Specialist
5	Specialist
6	Specialist
X	Specialist Plus

ATO Debts

Pepper will accept ATO Debts with payment plans to remain after settlement on Near Prime and Specialist.

Additional Advance

- The loan must have settled at least 3 months for PRIME and 6 months for Non-Conforming prior to the application for further borrowing.
- The loan must be current with no dishonoured payments within the 3 months for PRIME and 6 months for Non-Conforming prior to application.
- Minimum amount \$10,000.
- Maximum amount - LVR cannot be varied >10% or an internal refinance is required.
- \$395 Establishment fee or \$100 if broker orders valuation.
- 1% Mortgage Risk Fee (on Additional Advance amount only)
- For PRIME loans, Lender Protection Fee (LPF) payable is LPF on total amount less LPF already paid.
- Legal Fees of \$200 plus disbursements are payable.

When an application for an Additional Advance is received, customer and security information will need to be updated. The documentation that will be required is as follows:

- New fully completed Pepper Money Additional Advance Application Form.
- Updated income evidence, including pay slips or Alt Doc Income Declaration.
- A new Equifax report will be ordered.

DISCLAIMER: This product guide is accurate as at the effective date of this document. Pepper Money reserves the right to alter the policies at any time without notice. We will notify borrowers of changes in accordance with their loan agreement and the National Consumer Credit Protection Act.

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WARNING: You must comply with all legal requirements. Non-compliance with the law may attract civil and/or criminal penalties.

- A new Valuation will be requested.
- The Building Insurance figure will be updated.
- If there is any new adverse credit information a request for further details will be made.
- Funds will be disbursed by a Pepper Money panel Solicitor after receipt of all security documents.

Valuations:

An appraisal of the security property is required to determine its value and state. This can be done via a Full Valuation, Electronic Valuation Report, or an Automated Valuation Model. The following criteria applies for Maximum security values (eligibility conditions apply).

Valuation Eligibility Criteria	LVR				
	≤65%	65-70%	70-75%	75-80%	80-95%
AVM Purchase (FSD)	≤12	≤10	≤10	N/A	N/A
Max Security Value	\$1.5m	\$1.5m	\$1m	N/A	N/A
AVM Refinance (FSD)	≤12	≤10	≤8	N/A	N/A
Max Security Value	\$1.5m	\$1m	\$1m	N/A	N/A
EVR	✓	✓	✓	✓	N/A
Max Security Value	\$1.5m	\$1.5m	\$1.25m	\$1m	N/A
Full Valuation	✓	✓	✓	✓	✓

Acceptable Visa Class:

Pepper accepts all Visa that provide permanent residency. In addition, for Near Prime Clear, Near Prime and Specialist the following non-permanent visa's are acceptable: 309, 475, 482, 489, 491, 820, 494.

Additional Notes

- 1 Refer to Pepper Money's Postcode Search in Tools section on pepper.com.au/broker/white-label for category lending limits
- 2 Additional terms and conditions apply to Interest Only loans which are set out in the customer's loan agreement. Principal and Interest repayments are calculated on the residual loan term
- 3 The terms and conditions applicable to Offset Sub-Accounts are set out in the customer's loan agreement
- 4 Refer to LPF Calculator in Tools section on pepper.com.au/broker
- 5 Pepper Money is not liable for any taxation related assumptions or representations associated with the negative gearing.