

## **ANZ HOME LOAN PRODUCT AND POLICY GUIDE**

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## INTRODUCTION

Welcome to the ANZ Home Loan Product and Policy Guide.

The aim of this Guide is to help you understand ANZ's product offering so that you feel more confident helping customers to make informed decisions about their future.

Mastering ANZ's home and residential lending portfolio falls into two parts:

1. ANZ product suite for home and residential investment lending.
2. Policy.

## OUR RANGE OF HOME LOANS

Essentially ANZ offers three types of loans with differing degrees of flexibility, control and benefits to meet customers' specific needs. These are as follows:

### **1. Fixed rate**

#### **ANZ Home Loan with a fixed interest rate**

A loan with an interest rate that is fixed for six months to five years to protect customers against rises in interest rates, allowing them to budget with confidence.

### **2. Floating rate**

#### **ANZ Home Loan with a floating interest rate**

A flexible loan that allows customers to make extra repayments at any time.

### **3. Revolving credit**

#### **ANZ Flexible Home Loan**

An all-in-one home loan and transaction account that uses all available surplus funds to help reduce interest costs and pay off the loan sooner.

## ANZ HOME LOAN WITH A FIXED INTEREST RATE

With a fixed ANZ Home Loan your customers will always know exactly how much their regular repayments are, allowing them to budget with confidence.

### Best suited to:

- Customers who prefer a repayment amount that does not fluctuate
- Customers who need a disciplined repayment structure
- Customers who are unlikely to want to make large lump sum payments within the fixed-rate term.

### At a glance

- **Minimum loan** none.
- **Maximum loan** up to 90% loan to value ratio (LVR).
- **Minimum term** none.
- **Maximum term** 30 years.
- **Repayment frequency** weekly, fortnightly, monthly.
- **Extra repayments** limited to one lump sum repayment each year of up to 5% of the amount owing. The minimum that can be repaid is the lesser of \$1,000 and the outstanding balance of the loan.
- **Statement frequency** on 30 September and 31 March.

### Features

- **Reserved Rate** a customer can reserve a rate for up to 60 days for new and existing lending.
- **Loan top ups** available as a separate loan.
- **Interest only repayments** for up to five years.
- **Transfer of security**.

### Fees

Fee type			
Application fee	Owner occupied	– Up to \$500	
	For all other lending	– Up to 1% of the loan amount	
Loan top up fee	\$250		
Early Repayment Recovery (ERR)	Net Present Value Calculation		

### Early repayment tolerance amounts

After the original loan drawdown or fixed interest rate start date, customers can make one lump sum repayment up to 5% of the outstanding principal balance each year (minimum \$1,000). The customer can make a combination of alterations to the repayment amount and a lump sum payment, provided the total amount of the payment, and increased repayment for that year, does not exceed 5% of the principal balance outstanding.

Please bear in mind, if customers pay off all or a portion (over the 5% threshold each year) of their fixed interest rate home loan before the end of the fixed period, they may be charged an ERR. An ERR is an amount that ANZ charges to recover the loss it incurs when a customer chooses to repay or restructure a home loan with a fixed interest rate early. The way ANZ calculates the ERR is set out in the loan agreement.

## ANZ HOME LOAN WITH A FLOATING INTEREST RATE

A floating ANZ Home Loan provides greater flexibility and the ability for your customers to increase their repayments at any time.

### Best suited to:

- Customers who often have extra money they'd like to put towards their home loan
- Customers who can cope with changes in the interest rate.

### At a glance

- **Minimum loan** none.
- **Maximum loan** up to 90% LVR.
- **Minimum term** none.
- **Maximum term** 30 years.
- **Repayment frequency** weekly, fortnightly, monthly.
- **Extra repayments** no penalty, however minimum extra repayment amount applies. See anz.co.nz for latest details.
- **Statement frequency** on 30 September and 31 March.

### Features

- **Loan top ups**.
- **Interest only repayments** for up to five years.
- **Straight line arrangement**.
- **Transfer of security**.

### Fees

Fee type			
Application fee	Owner occupied	– Up to \$500	
	For all other lending	– Up to 1% of the loan amount	
Loan top up fee	\$250		

## ANZ FLEXIBLE HOME LOAN

ANZ Flexible Home Loan is a revolving credit facility that provides customers with credit up to a set limit. All the customer's available surplus funds can be used to reduce debt faster.

### Best suited to:

- Customers on a good income who often have surplus funds available
- Customers who are good money managers.

### At a glance

- **Minimum loan** none.
- **Minimum term** none.
- **Maximum limit** of \$350,000 where LVR ≤70%.
- **Maximum limit** of \$60,000 where LVR >70%.
- **Maximum term** no set term (revolving credit).
- **Repayment frequency** no set frequency.
- **Extra repayments** no penalty.
- **Statement frequency** monthly.

### Features

- Salary must be direct credited to an ANZ Flexible Home Loan account.
- **Transfer of security.**

### Fees

Fee type		
Application fee	Owner occupied	– Up to \$500
	For all other lending	– Up to 1% of the loan amount
Monthly account fee	All loans	\$12.50
Unarranged overdraft fee		\$5

## ANZ RESIDENTIAL INVESTMENT LENDING OPTIONS

- The full ANZ Home Loan product range is available for residential investment property purposes.
- Any combination of ANZ Home Loans is available.

Consider some of the following benefits of the ANZ Home Loan range for property investors.

<b>ANZ Home Loan with fixed interest rate</b>	A fixed repayment amount allows customers to align their rental income with their loan repayments.
<b>ANZ Home Loan with floating interest rate</b>	Full flexibility and features including top ups and the ability to make extra repayments without penalty.
<b>ANZ Flexible Home Loan</b>	An all-in-one transaction account and home loan can make keeping track of rental income and investment property expenses easier.
<b>30-year terms</b>	To keep repayments as low as possible. Property investment is a longer-term strategy, therefore a long loan term may suit property investors.
<b>70% LVR</b>	ANZ may lend up to 70% of the property value for Residential Investment Lending (for Retail customers only, and within the Reserve Bank of New Zealand LVR restrictions).
<b>Interest only</b>	Making interest only repayments can help maximise cashflow. It can also be of benefit because interest only helps to maximise expenses, which is a benefit if following a negative gearing strategy. If expecting to achieve capital gains on the future sale of the investment property, interest only reduces outgoings in the interim. Interest only may free up cash to use for the repayment of other, non-tax-deductible debt. Interest only loans are not available where the LVR exceeds 70%.
<b>Top ups</b>	To help customers manage the unexpected such as urgent repairs or renovations.
<b>Transfer of security</b>	If a customer is looking to change investment properties, they can apply to take their ANZ Home Loan with them. Please refer the customer to any ANZ branch or adviser.

## LOAN FEES

### Application fees

All loans	Up to \$500
Owner occupied	Up to \$500
For all other lending	Up to 1% of the loan amount

### Top ups

Top up fees are applicable when we are increasing existing ANZ Home Loan lending.

Loan top up fee	\$250
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### ANZ Flexible Home Loan

Monthly account fee	\$12.50
Covers account administration and transaction fees.	
Unarranged overdraft fee	\$5

### Early Repayment Recovery (ERR)

An ERR based on the economic cost to ANZ of breaking a fixed rate may be charged if the loan is being paid in part or in full or switched to another ANZ Home Loan product before the end of the fixed-rate period.

### Reserved Rate Non-Utilisation Recovery charge

ANZ may charge a non-utilisation recovery charge if the terms of a Reserved Rate Agreement (RRA) are not met. The non-utilisation recovery charge is based on the net present value calculation as set out in the RRA.

### Discharging/releasing security

Discharge fee	\$100 per security
Covers documenting and completing any other transaction to do with security held at ANZ when you discharge or release that security.	

## ANZ HOME LOANS – A GREAT RANGE OF EXTRA FEATURES

Features	
<b>Credit card offers</b>	Customers may be eligible for a credit card once their home loan is approved. If approved, the credit card limit will be assigned based on the customer's application.
<b>Pre-approved home loan</b>	Helps your customers speed up the buying process and gives them more confidence when dealing with real estate agents. Pre-approval periods are: <b>90 days for:</b> <ul style="list-style-type: none"><li>≤70% LVR on residential investment lending</li><li>≤80% LVR on owner occupied lending.</li></ul> <b>60 days for:</b> <ul style="list-style-type: none"><li>&gt;70% LVR on residential investment lending</li><li>&gt;80% LVR on owner occupied lending</li><li>All Reserve Bank of New Zealand (RBNZ) exemptions.</li></ul>
<b>Interest only</b>	Customers can choose to pay only interest payments on their loan for up to five years (available where LVR is <70%). Ideal for customers wanting to lower their home loan payment or minimise the reduction of the principal of the loan (Residential Investors).
<b>Reserved rate agreement (RRA)</b>	An arrangement available on fixed ANZ Home Loans that allows customers to reserve their interest rates for up to 60 days pending drawdown of a new loan or for an existing fixed-rate loan rolling over.
<b>Transfer of security</b>	A transfer of security allows customers to retain their current loan terms (in particular their fixed rate) when changing things like borrower and security details.

## INTEREST ONLY LOANS

### Key information

- Maximum interest only term available is:
  - up to two years for lending on owner occupied property
  - up to five years for lending on residential investment property.
- There is no additional cost to apply for an interest only loan with the original loan application.
- Interest only is available on fixed-rate loans and floating-rate loans.
- Interest only loans are not available where the LVR exceeds 70%.

For all lending applications where the loan is being placed on interest only (new and existing), you must have a quality conversation with the customer to ensure they understand what interest only means, and document the customer's reason for interest only.

You will need to confirm to ANZ with your application or maintenance request the reason the customer is requesting interest only and that the customer understands:

- What interest only means, i.e. loan repayments are only for the interest cost of the loan, and the loan principal balance is not reducing.
- That the expectation is, if approved, the interest only home loan will convert to principal and interest repayments at the end of the interest only term. For example, after two years of interest only the loan will revert to a maximum of 28 years' principal and interest repayments.
- Repayments must be made on the first business day of each month, and customers do not have the flexibility to change repayment dates. The repayment amount can vary as it is calculated using the interest rate and number of days in the calendar month prior.
- The maximum terms available are:
  - two years for owner occupied properties
  - five years for residential investment properties.
- The differences between putting the loan on interest only vs. putting the loan on principal and interest.

## RESERVED RATES FOR FIXED LOANS

Interest rates can be reserved for up to 60 days for new and existing fixed-rate loans rolling over. If a customer chooses to reserve an interest rate, this rate will be applied to the loan regardless of any interest rate movements (up or down) in the interim.

The customer needs to confirm their lending structure and the loan amount prior to reserving an interest rate, as these details cannot be changed once the interest rate has been reserved.

### Reserving rates for new lending

- Interest rates can be reserved for up to 60 days from the date of full approval (full approval is when all conditions of the approval have been met and loan documentation can be prepared).

- Settlement date must be set and unconditional.
- No fees are applicable for the set up of this facility.
- If the customer wishes to reserve a current or negotiated interest rate, an RRA will need to be signed by the customer and submitted within two business days of pricing being offered.
- When the interest rate is reserved, the customer will drawdown at this rate.
- If a customer seeks to cancel or change the RRA, a non-utilisation recovery charge may apply and ANZ reserves the right to terminate the customer's loan approval or loan agreement.

### Reserving rates for fixed-rate loans rolling over

- Interest rates can be reserved for up to 60 days prior to the expiry of the customer's current fixed-rate term.
- The loan must be up to date; for loans in arrears, a new fixed term cannot be reserved or rolled to.
- No fees are applicable for the set up of this facility.
- If the customer wishes to reserve an interest rate, a loan maintenance request form will need to be signed by the customer and submitted within two business days of pricing being offered.
- Once the customer has reserved the interest rate, this is the rate that will apply at rollover.
- If a customer seeks to cancel or change the RRA, a non-utilisation recovery charge may apply and ANZ reserves the right to terminate the customer's loan approval or loan agreement.

**Any changes to the RRA (including settlement or fixed rate rollover date) must be referred back to ANZ/your Adviser Lending Specialist for consideration.**

### Interest rate pricing

Where you negotiate a discounted interest rate for a customer, this will be held for two business days from the date the pricing is confirmed by ANZ.

If the customer wishes to reserve this interest rate, you will need to complete an RRA (new lending) or loan maintenance request form (existing lending) and get the customer to sign the agreement. This will then need to be submitted, with the pricing approval, within two business days of receiving the pricing.

### Reserved Rate Non-Utilisation Recovery (NUR) charge

When a customer enters into an RRA, we source funds for the loan from the wholesale money market. This commits the bank to paying a fixed rate of return on those funds for the term specified in the RRA.

If a customer cancels or changes their RRA, we still have to honour our commitment to pay for the funds we secured. In this situation, if the wholesale rates on the day the agreement is cancelled or changed are lower than they were when the agreement was made, we make a loss. The NUR charge will help us recover some of this loss.

NUR is applicable in three situations:

- Customer requests to cancel the RRA
- Customer requests to change the terms of their RRA (i.e. change to a different fixed-rate, fixed term or lending amount locked in)
- Customer does not drawdown/rollover the loan on the drawdown/rollover date specified on the RRA.

A reserved rate flyer has been designed for customers and details of the NUR calculation can be found on the RRA and the loan maintenance form.

## TOP UPS

The customer must apply for and be assessed for the increase to their lending.

### Key information about top ups

- There is a \$250 loan top up fee for all top ups.
- All parties to the loan (including guarantors) must sign the application form.
- A full loan application is required.

## TRANSFER OF SECURITY

If a customer has sold their existing home and not yet found a new property, transfer of security allows the lending to continue, secured by funds from the sale of the property placed on term deposit until the customer purchases a new property.

Transfer of security can also be used for the purposes of changing the ownership of the loan or security property, to avoid an ERR, i.e. on a fixed ANZ Home Loan. Examples of this are:

- Joint borrowers to single borrower
- Joint borrowers to a Family Trust/look through company (LTC)
- Adding a name to the security property.

### Key information about transfer of security

- The use of a term deposit as security under a transfer of security scenario is a short-term solution only (up to 12 months).
- Approval of transfer of security applications is subject to approval of the new borrower and security property, and satisfactory conduct of the customer's home loan.
- If a term deposit is to be used as short-term security (up to 12 months), the term deposit must be equivalent to the outstanding loan balance.

## A full loan application is required in the following circumstances

- If the customer requires an increase in lending or term extension.
- If there is a change in ownership for the security property or loan, for example adding a name to, or removing a name from, the security property or loan (this is because ANZ needs to assess the ability of the new loan 'owner' to repay the debt).
- For a change of security type.

## A full loan application is not required in the following circumstance

- If the borrowers and/or mortgagors are changing between individuals and a Trust and the Trustees are the same as the individuals.

### Key points to note

- If increasing the amount of lending, please state clearly which loan is a transfer of security loan and which is new lending.
- If there is a change in security property, please submit the sale and purchase agreements (S&Ps) with the application form.
- The security property can be of a lesser value, as long as it still meets LVR criteria.
- A Registered Valuation Report (RVR) may be required (for example if the new property is non-standard or private treaty).

## ANZ CREDIT POLICY SUMMARY

Real property type	Maximum LVR
<b>Standard residential property</b>	
• Residential houses, terraced houses and townhouses	Up to 90%
• Vacant land (fully serviced, maximum two hectares)	80%
• Rural lifestyle property 0 to 10ha	Up to 90%
• Apartments	80%
<b>Non-standard residential property</b>	
• Non-standard apartments (studio apartments, leasehold apartments, bachelor/bedsit units, warehouse/office conversions, serviced apartments, student/university apartments, studio/one bedroom less than 45sqm, two bedroom less than 55sqm, three bedroom less than 65sqm)	50%
• Three to six dwellings on one title	70%
• Seven or more dwellings on one title	60%
• Development land and vacant land (not fully serviced)	50%
• Property development	50%
• Luxury	70%
• Pensioner flats/retirement village (residential title)	60%
• Rural lifestyle property greater than 10ha	70%

Real property type	Maximum LVR
• Residential leasehold property	80%
• Non-standard vacant land	50%

Security type	
ANZ Term Deposits Can be used as short-term security (bridging or tideover finance) under a transfer of security scenario, the term deposit must equal at least the value of the loan it is securing.	100%

Home loan products cannot be secured against the following property types:

- Commercial property
- Rural property (excluding lifestyle properties)
- Englobo land (e.g. residential development)
- Special purpose property
- Multi-purpose property.

These property types are considered commercial and may be assessed by ANZ Commercial.

## STANDARD RESIDENTIAL PROPERTY

Maximum LVR 90% for Owner Occupier.

Maximum LVR 70% Residential Investment Property.

The maximum amount depends on the property's location, the property type, occupancy status, the home loan type and other ANZ lending criteria together with prevailing RBNZ high LVR restriction criteria.

Standard residential property is exclusively for the occupation of individuals for the purpose of private housing (including owner occupied and non-owner occupied properties, i.e. tenanted). This includes:

- Residential homes
- Residential townhouses
- Rural residential housing (rural land specifically zoned for the purpose of residential occupation)
- Rural lifestyle properties (see page 8).

Vacant residential land (fully serviced, maximum two hectares) can be used as security. For ANZ to lend on vacant land to a maximum LVR of 90%, a residence must be constructed within 12 months. For non-serviced land or land which will remain vacant >12 months, a maximum LVR of 50% applies.

### Apartments

Maximum LVR 80%.

A property must be treated as an apartment if all of the following criteria apply:

- Adjoined property
- Greater than one residence in height

- Part of a block or development
- On a strata title.

Apartments are further split into standard and non-standard apartments. A standard apartment is generally defined as being greater than 45sqm (excluding balconies), subject to the exceptions listed in non-standard apartments below.

## NON-STANDARD RESIDENTIAL PROPERTY

### Non-standard apartments

RVR required on all LVRs for non-standard apartments. Maximum LVR 50% for Owner Occupier and Residential Investment Properties.

Non-standard apartments include the following:

- Leasehold apartments
- Studio apartment
- Bedsit
- Warehouse or office conversions
- Serviced apartment
- Student/university apartments
- Studio/one bedroom less than 45sqm
- Two bedroom less than 55sqm
- Three bedroom less than 65sqm.

### Bedsitter/studio/warehouse apartments

Maximum LVR 50% for Owner Occupier and Residential Investment Properties.

These apartment types are characterised by a bedroom which is not separate from the sitting room or kitchen/kitchenette. Alternatively the property may have a loft-style bedroom.

This definition also incorporates the more upmarket multi-bedroom warehouse converted apartments and conversions of office blocks into apartments.

### University apartments or student accommodation

Maximum LVR 50% for Owner Occupier and Residential Investment Properties.

These are often set up in a similar fashion to serviced apartments, or as residential units within a unit complex which is marketed as a university apartment or student accommodation.

Note:

1. This description does not include a 'standard' house/townhouse/unit/etc, which is coincidentally occupied by a student.
2. If there is an operating lease or management agreement governing the use, occupation, management and sale of the unit, it must be treated as a serviced apartment for the term of the agreement/lease.

### **Serviced apartments**

Maximum LVR 50% for Owner Occupier and Residential Investment Properties.

Serviced apartments are properties that are structured in a similar fashion to a hotel operation, however with individual owners per room or unit and with a property manager in place to administer the apartment complex. An RVR is required in all instances.

### **Leasehold property**

ANZ can extend both the improved value and the lessee's interest in residential leasehold properties (the leased land) to a maximum LVR of 80% subject to:

- For fixed term/no right of renewal leases, ANZ's loan term must match the unexpired term of the lease, e.g. if a lease has 10 years to run before expiring, the loan term cannot exceed 10 years.
- For perpetually renewable leases, the term of the loan will only be limited by the loan product term.
- An RVR report is required in all instances. This report will specifically address the value of the lessee's interest in the residential leasehold property.
- The lease, i.e. ground rent, generally an annual lease payment, is to be included in debt servicing calculations.

The affordability assessment must take into account future estimated increases in ground rent during the lease term. The future increase in ground rent is to be calculated based on a 5% p.a. increase in the current property's land value for the next five years.

Note: this excludes leasehold apartments which are non-standard securities (see page 7).

### **Development land**

Maximum LVR 50% for Owner Occupier and Residential Investment Properties.

Land which is either zoned residential or able and expected to be re-zoned residential. Has not yet been subdivided and/or has not had separate road access, water, sewerage and power installed.

### **Property development – residential**

Maximum LVR 50% for Owner Occupier and Residential Investment Properties.

Residential property development is defined as follows:

- Construction is at the direction of a property developer
- The development comprises of a new or major refurbishment of an existing property, e.g. conversion of an office block into residential units
- The properties are for first time occupation, e.g. newly constructed/refurbished property is to be occupied in its present state for the first time.

### **Three to six dwellings on one title**

Maximum LVR 70% for Owner Occupier and Residential Investment Properties

### **Seven or more dwellings on one title**

Maximum LVR 60% for Owner Occupier and Residential Investment Properties

### **Luxury and area thresholds for residential property**

A standard LVR of 70% applies to properties with a purchase price/value above the amounts specified in the following table.

A luxury property is defined as a residential property with a value in excess of the following:

Area	Residential houses/ townhouses and terraced houses on less than two hectares, Rural Residential lifestyle houses on less than 10 hectares.	Standard apartment, standard vacant land
Auckland City, North Shore including Warkworth/Omaha	\$3.0m	\$2.0m
Wellington City, South Auckland, Queenstown Lakes District and Tauranga District	\$2.0m	\$1.5m
West Auckland, Wellington Region, Nelson City/Richmond and Christchurch City	\$1.5m	\$1.0m
All other (city and suburbs)	\$1.0m	\$750,000

### **Properties under \$100,000**

An RVR is required where:

- A property is purchased for less than \$100,000 (excludes vacant sections); and
- The LVR is greater than 70%.

## **RURAL LIFESTYLE PROPERTY**

### **Maximum extension values:**

0 to 10ha	≤ 90%
Greater than 10ha	≤ 70%

### **Rural lifestyle properties are defined as follows:**

Land with a residence, or vacant land which is to have a house constructed on it within 12 months of loan drawdown.

The property is zoned residential, rural residential, rural (or any other similar zoning – must not be commercial/industrial, etc).

ANZ will allow home loan products for lifestyle properties used as hobby farms (up to 10ha), as long as the debt servicing can be met from off-farm income only.

No farm income can be used for assessment of the customer's debt servicing ability. If farm income is required, the application should be assessed as a rural property by an ANZ Rural Manager.

For lifestyle properties over 10ha, if any farm income is earned from these properties, they are to be assessed as rural properties by an ANZ Rural Manager.

Note: any valuation obtained must be based on the land and residence value only. The valuation must not include income-producing potential of the land, sheds, machinery, etc, which are used for income-producing purposes.

## VALUATION POLICY – STANDARD AND RESIDENTIAL INVESTMENT PROPERTIES

### Lending above the LVRs below will require an RVR

Category	Event	S&P	Quotable/ Ratable Valuation	E-Valuer	Registered Valuation
Standard Residential Standalone Dwellings, Terraced Houses, Townhouses, Vacant Land and Standard Apartments	New Purchases/ Refinances/ Top ups*	≤ 80% LVR	≤ 80% LVR	≤ 80% LVR	> 80% LVR

\* For top ups on standard residential standalone dwellings and townhouses to \$30,000 and 85% LVR, the most recent S&P, GV, E-Valuer report or RVR can be used. Maximum one top up approved under this policy per year.

### Age of valuations

Event	S&P	Quotable/Ratable Valuation	E-Valuer	Registered Valuation
New Purchase	< 6 months old	N/A	< one month old	< three months old
Refinance	< 12 months old	< 12 months old	< three months old	< 12 months old if ≤ 80% LVR < three months old if >80% LVR
Top ups	< 12 months old	< 12 months old	< three months old	< 12 months old if ≤ 80% LVR < three months old if >80% LVR

When the bank requires an RVR as part of the lending application process we will order this through our Valuation Ordering System (VOS) on behalf of the customer (customer will still need to cover the cost of the RVR).

### Conditions for using a Quotable/Ratings Valuation (QV/RV)

- LVR must be 80% or less for standard standalone dwellings, terraced houses, townhouses and vacant land.

### Situations where E-Valuer can be used

- New purchases, refinances and top ups, LVR must be 80% or less.

### Conditions for using an S&P

- S&P must represent an 'arm's-length' transaction conducted via an MREINZ real estate agency at public auction or sale, between unrelated parties.
- The S&P must be compared to the current market estimate (estimate provided by Corelogic E-Valuer report) to ensure the purchase price is within an acceptable range.
- A complete signed copy of the S&P must be held.
- The S&P price must be less any discounts and bonuses or additional assets stated in the contract.

### Situations where an RVR will always be required

- The LVR is greater than 80% (excludes top ups that meet the waiver requirement).
- Property is a non-standard residential property, excluding standard apartments and luxury properties.
- Property is leasehold.
- Property value is <\$100,000 and the LVR is over 70%.
- Lending is a construction loan/loan to build.
- Property purchased 'off the plans'.
- Property does not meet the above criteria for S&P.

- Property does not fall within the valuation caps above.
- ANZ does not consider the S&P or GV is a fair representation of market value.

### Age of valuations

The valuation used to determine security value should be the most recent of:

- Registered valuation (RVR).
- Sale & purchase (S&P).
- Quotable Value (QV)/rateable value (RV).
- E-Valuer (preferred option where available).

### Inclusion of chattels in valuation

Chattels valued separately in an RVR may be included in the total value of the property when calculating LVR. Where chattels are valued at more than 6% of the total value of the property, a maximum value of 6% of the total value of the property may be included.

Chattels are defined as:

- Stoves
- TV aerials
- Fixed floor coverings
- Blinds/curtains/drapes
- Telephones
- Light fittings.

### Addressing valuations

All RVRs must be addressed to one of the following and confirm that ANZ can rely on the RVR for mortgage lending purposes:

- ANZ
- ANZ Bank New Zealand Limited.

### **Professional indemnity requirements:**

The valuer must disclose within the RVR that they hold professional indemnity insurance.

### **Sale by private treaty**

An S&P via private treaty will be checked against the most recent E-Valuer/RV to determine if it is suitable to be used. Where not suitable, the market value must be confirmed by way of an ANZ initiated valuation.

## **ADDITIONAL INFORMATION**

### **Confirmation of customer deposit/equity contribution**

For all lending, ANZ will require proof of full deposit, including confirmation borrowers have contributed 5% of the property purchase price from their own resources. This contribution/equity can only come from:

- Personal savings – confirmed by a bank statement
- Term deposit – confirmed by a bank statement/ certificate showing funds are held in the name of at least one of the borrowers
- Sale of real estate (the property must be in at least one of the borrowers' names – a copy of the S&P must be obtained)
- Sale of shares (held in the name of at least one borrower)
- Superannuation proceeds including KiwiSaver (must have been held in the name of at least one borrower).

Other borrowings may be acceptable provided that serviceability of the combined debt is clearly demonstrated.

Third party mortgage security confirmation from the security provider (e.g. parents may provide security) is required, confirming the nature of the arrangements and serviceability of the combined debt. See page 15.

## **AFFORDABILITY CRITERIA**

It is important that there are quality conversations with our customers during the application process. This ensures that we get an accurate account of our customer's financial position and their living expenses.

It is ANZ's expectation that the adviser validates the expenses and account conduct for all new and existing customers.

### **When determining living expenses:**

Validate what the customer has told you against the transactional/credit card statements (over the last three months) making sure they align. It is acknowledged that it is impossible to perfectly validate every single expense; however care should be taken to capture all the material living expenses.

Discuss with the customer any potential expenses they may take on as a result of the lending transaction, e.g. rates and house insurance after purchasing a new property, which you will need to include. Some expenses may be readily available through government websites, e.g. property rates in certain cities.

Your default position should be to capture all significant and/or regular expenses such as subscription payments, e.g. Sky TV, Netflix. However, there may be valid reasons as to why these may not be continuing. You must note the

customers' reason for excluding and/or reducing any expenses which differ from the statements provided. It is acknowledged that the customer's lifestyle may change as a result of this transaction and that this may have an effect on their expenses. Discuss with the customer any future changes and document these changes in the application.

Home loan approvals rely heavily on a customer's budget surplus, so it is important your clients provide us with accurate information about their income and living expenses as part of their home loan application.

### **Income assessment salary and wages (including overtime, commissions and allowances)**

- One original payslip being no more than 30 days old showing gross per annum base income; or
- One original payslip being no more than 30 days old showing year-to-date income, providing this covers at least a three-month period; or
- The regular receipt of salary and wages can be verified by deposits into the customer's bank accounts over the last three months.
- Use of a letter from an employer is acceptable. However, if this is to be used it must meet the following criteria:
  - On the employer's letterhead
  - Signed by a company representative, not the applicant
  - Must confirm the previous three months' income/ employment or confirm annual income
  - Overtime, commissions or non-cash benefits must be separately disclosed
  - Must be supported by evidence of income shown in either bank statements or payslips.
- Overtime/Commission income used is calculated by taking 80% of the three month average of OT/Commission income. Must be supported by evidence of income shown in either bank statement or payslips.

### **Other income sources**

- Where royalties or other income are to be included, tax returns or bank statements are required to show the income has been regular over a two-year period.
- Interest can be included when evidenced by the sighting of a fixed term deposit certificate with a minimum of two years to maturity from the date of application. Use the average monthly income earned over the last two year period.
- Government benefits and pensions can be included if a letter from Work and Income New Zealand (WINZ) is held detailing current entitlements and that the income is regular.
- As maintenance (child support) is not included in taxation returns, the applicant will need to provide an original Inland Revenue Department (IRD) Child assessment notice and bank statements that show regular deposits over the previous three months.
- Income from The Accident Compensation Corporation (ACC) can be used if a current letter from ACC is supplied showing all payments are ongoing and sustainable.
- Investment income can be included at 70% of gross investment income (two years' tax returns are required). Income must be sustainable over the life of the loan.

### **Non-PAYE earners (i.e. sole proprietors, partnerships, companies)**

Certified financial statements for the business covering the last two-year period are required to be forwarded with the applications for these customers.

As an exception, where financial statements are not prepared, the following is required:

- IRD produced tax summaries; or
- IRD produced tax assessment notice; or
- IRD produced statement of earnings of the applicant.

### **Financial statements (profit and loss accounts and balance sheet) are required to be certified as follows:**

- Signed by the customer if prepared by the customer
- If prepared by a Chartered Accountant, presented on the accountant's letterhead, signed by the accountant, and accompanied by a statement confirming that the financials were prepared from information provided by the customer
- If prepared by an auditor, presented on the auditor's letterhead, signed by the auditor, and accompanied by an independent auditor's report
- Home loan applications involving self-employed customers require a copy of the latest IRD tax summary in support of the financial statements provided (e.g. an IRD verified IR4/IR3, or equivalent)
- Where the financial statements provided have been completed by a Chartered Accountant (CAANZ – Chartered Accountants, Australia and New Zealand – incorporates NZICA and CPA), or The Accountants and Tax Agents Institute of New Zealand, the IR4/IR3 may not be required.

### **Rental income**

Rental income may be relied upon at 75% of gross rental as long as one of the following pieces of evidence is held:

- A letter from the property management section of the real estate agency stating prospective rental income for the property. The letter must confirm that an agent has sighted the property and that demand is at least reasonable.
- Bank statements recording rental receipts for a minimum of three months.
- Registered valuation assessment of potential rental income.

The reduction to 75% does not include Body Corporate fees/levies nor Ground Rent. For properties with these expenses these must be further deducted from the 75% calculation of Gross Rental Income.

### **Boarder income**

The maximum board allowed per application is \$150 per week with a maximum of two boarders. Boarder income is excluded for applications where LVR exceeds 80%.

Within the above limits, boarder income can be included at 100% of the amount received where the income is for a "room charge" only. Where board is charged as "all inclusive", i.e. including costs such as power and food – apply 50% of the boarder income.

Boarder income is to be evidenced by a regular referenced deposit (three months) to the customer's bank account, or a signed agreement between the parties specifying the board amount being paid or to be paid.

### **Existing account conduct**

New customers (including existing customers of less than six months) applying for a home loan need to only provide the previous three months of statements for their main transactional bank account from the other bank. Existing customers with their main transaction account at a bank other than ANZ are required to provide three months of bank statements. However, existing customers with their main transactional bank account at ANZ are not required to provide three months of bank statements.

## **RESIDENTIAL INVESTMENT LENDING**

The purpose of this section is to provide a summary of the key aspects of ANZ credit policy related to residential investment lending.

### **Residential Investment Property – Changes to LVR Restrictions**

The Reserve Bank has introduced changes to the Loan to Value Ratio (LVR) restrictions which limits the amount of home lending to borrowers with low deposits.

### **What does this mean for you?**

If you're buying a residential investment property, or you'll be using a residential investment property you already own as security for the new loan, there are restrictions on the maximum LVR which banks can lend to. You'll need a minimum 30% deposit. However, there are some exemptions to this under the Reserve Bank regulations which allow >70% LVR lending.

### **Maximum LVR**

The maximum we will lend to for Residential Investment loans is 70% of the property value.

### **Main bank relationship**

It is our preference that the customer holds or will hold a main bank relationship with ANZ.

A main bank customer is defined as an existing customer with salary direct-credited to an ANZ account and a multi-product ANZ relationship, or a new customer who has this main-bank criteria stipulated as a condition of their loan approval.

### **Valuations**

An RVR is required for LVRs over 80%.

### **Rental income**

Up to 75% of the gross rental income can be relied upon as long as one of the following pieces of evidence is held:

- A letter from the property management section of the real estate agency stating the prospective rental income for the property; or
- Three months' history of stable rental payments; or
- Registered valuation assessment of potential rental income.

### **Insurance for cover of loss of rent**

Where the application will be reliant on rental income for servicing loans, it is preferable that the customer arranges loss of rent cover. Customer is to be advised at time of application that loss of rent cover is recommended.

## **When is an application considered 'Business/Commercial'?**

ANZ Credit Policy requires different channels to be used when dealing with residential lending investments depending on the size of the total rental property portfolio. Some of these applications may have to be referred to Business or Commercial Banking. Please contact your Business Development Manager to discuss further.

## **LOW EQUITY PREMIUM (LEP)**

Low equity premium (LEP) is charged by ANZ to recover the expected costs of assuming the increased risk associated with lending above 80% of the property's value and the costs incurred as a result of such lending.

### **When is it required?**

Generally, LEP is required for any loan where the amount borrowed is more than 80% of the LVR.

### **How is LEP calculated?**

Premium amounts are calculated on a graduating scale, depending on the customer's LVR. Generally as the LVR rises, it will attract a higher premium to cover the increased risk. There is no minimum LEP.

### **How is the security value set?**

The LVR is calculated on the value of the security being offered. This may be the purchase price, or ANZ may make a valuation based upon the property's location and supporting documentation.

### **Is LEP negotiable?**

No.

### **LEP fee structure**

On the table following is a guide to calculating LEP. Note: may be subject to change.

### **ANZ low equity premium**

<b>LVR</b>	<b>Premium</b>
80.01% – 85.00%	0.25%
85.01% – 90.00%	0.75%
Over 90.01%*	2.00%

\* not currently available

## **NON-RESIDENT (OVERSEAS PERSON) HOME LENDING**

From 22 October 2018, new restrictions on 'overseas persons' buying or acquiring residential land or property in New Zealand take effect. As a result, any customer who is an 'overseas person' under the Overseas Investment Act (the Act) may need the consent of the Overseas Investment Office before they are allowed to buy or acquire residential land or property, or an interest in residential land or property, in New Zealand.

### **Who is an 'overseas person'?**

An 'overseas person' is somebody who is not a New Zealand citizen (whether or not living in New Zealand) or 'ordinarily resident in New Zealand' as defined under the Act.

Under the Act, a person is 'ordinarily resident in New Zealand' if they hold a New Zealand residence class visa and they:

- Have been residing in New Zealand for at least the immediately preceding 12 months (not visiting); and
- Are a tax resident in New Zealand; and
- Have been physically present in New Zealand for 183 days or more in total in the immediately preceding 12 months.

### **What is 'residential land'?**

Residential land means any land that is zoned as residential or lifestyle by a territorial authority for rating purposes. This is a broad definition, and could include business or commercial premises or rural properties.

### **How the law applies**

All customers buying or acquiring residential land or property, or an interest in residential land or property, will need to provide written confirmation to their solicitor or conveyancer confirming that they are allowed to buy or acquire residential land and property in New Zealand before the solicitor or conveyancer will complete the transaction.

We will also need confirmation of compliance with the Act by all customers before we can lend to them. We will be including this as a new condition in all term sheets, preapprovals and offer letters. To avoid breaching the law, we won't lend if the customer needs consent from the Overseas Investment Office, but doesn't have it.

To get the confirmation we need, we'll be asking our customer's solicitors, through our letters of instructions and solicitor's certificates, to check whether the customer needs consent from the Overseas Investment Office, and if so, that the customer has it. If the land or property is being bought or acquired by a customer who is an entity like a company, trust or partnership, we'll need a confirmation of consent for everyone who owns or controls the entity.

You must ensure that you let customers know about the requirements of the Act. If customers have any questions about whether they are allowed to buy or acquire residential land or property, or if they might need consent before they can do so, they should discuss this with their lawyer or other advisor.

Each of the following criteria must be met for the application to be considered:

- Applicants must contribute a cash deposit towards the purchase price of the property
- Available only for owner occupied properties (excluding building a house)
- The property offered as security must be a standard residential property, luxury property, residential lifestyle property, standard apartment or terraced house
- Where guarantees are involved, they must be executed by the guarantor. Guarantees executed by the guarantor's attorney will not be accepted.

## OVERSEAS INCOME

Overseas income is scaled by 20%, prior to applying the base rate conversion factor (see below).

Overseas income applications apply to customers with New Zealand citizenship or Permanent Residence, living or working overseas. The following criteria apply:

- Max LVR of 70%
- Lending to individuals only
- Facilities are to be on principal and interest terms
- Flexible facilities are not available
- Available for standard residential security (excluding construction)
- No boarder income to be included for servicing.

Non-resident consumer income is converted to New Zealand dollars using an exchange rate called a base rate conversion factor. This is an internal ANZ rate.

### Exchange rate movement risk (ERMR)

ERMR exists when income to service lending is earned in a country that is different from the country where the lending is provided. The risk is that the exchange rate between New Zealand and the overseas country will change and reduce the customer's ability to service the loan.

The ERMR to be utilised for all consumer loans is 20% and is applied when the customer borrows in one currency (i.e. New Zealand dollars) and the repayment source is another currency. Where an applicant resides overseas and receives salary/wage income that is in a foreign currency, New Zealand commitments are to be inflated by 20% ERMR.

For offshore business income verified via profit and loss statements, discount net foreign currency income by an ERMR factor of 20%, and do not inflate the New Zealand commitments.

## LOANS TO BUILD/CONSTRUCTION LOANS

### What are loans to build/construction loans?

Any loan approved to finance the construction of, renovations to, or extension of the security property.

Note: loans to build do not include houses, units, apartments, flats or townhouses that are being constructed at the direction of a property developer for first-time occupation.

This type of lending is considered property development.

### Key Information about loans to build

- Care must be taken to ensure that the property to be built complies with the Building Act 2004.
- Once construction has started it must be completed within 12 months.
- The Tentative on Completion (TOC) RVR value can be used for fixed price contract builds under \$1m if the LVR is less than 80% of the TOC valuation (excludes kitset, re-locatable and pre-built homes).

- In all other instances, the value for security purposes must always be the lower of the valuation or total costs (total contract price plus land cost/value).

### Documentation requirements

#### 1. For assessment of the loan and before the first drawdown will be undertaken:

- Professional valuation (fair market value (FMV) to be the lower of cost of project or actual valuation). It must be addressed to ANZ and show the value 'as is' and the 'tentative on completion' value.
- Full costs and quotations to complete build and be issued with a Code Compliance Certificate – including plumbing, electrical, material and labour. If a fixed-price contract is held, the full contract must also be forwarded to ANZ for assessment. A loan servicing allowance must be made for cost overruns:
  - 10% for fixed price contracts
  - 15% for all other contract types, e.g. cost and quotes.
- S&P for the land, or other confirmation that the customer already owns the land.

#### 2. Requirements for the first drawdown:

- Building consent (only required for first drawdown).
- Confirmation that the property is insured while under construction (only required for first drawdown). This can be by way of:
  - A copy of the builder's all risk policy; or
  - Contract Works Insurance and Public Liability Insurance; or
  - A specific insurance policy with the Bank's interest as mortgagee noted.

#### 3. Requirements for each progress drawdown:

- Copy of signed fixed price contract (if not already held)
- Progress valuation (if necessary for contract type or sufficient security value) – see page 14
- Builders invoice
- Progress payment instruction authorised by the customer.

#### 4. Final drawdown:

- Confirmation that the property is fully insured (with ANZ noted as mortgagee) following completion of construction
- Valuers Completion Certificate
- Code Compliance Certificate.

### Valuations

A valuation is required prior to construction being undertaken ("As is" or "TOC").

### Loans approved on an 'as is' value

Where the approved loan is within the current FMV of the property, it is not necessary to obtain progress valuations.

Note: renovations will normally fall into this category. Where the renovations are non-structural changes and the loan required is less than \$75k, it will not be treated as a construction loan. You may be required to obtain this information.

## **Loans approved on the basis of 'tentative on completion' valuation**

This is where the lending required to build the property is based on the value of the land plus the proposed value of the house to be built. This value is established by way of an RVR.

### **Progress drawdown general requirements**

- The customer's own funds must be used, before any loan funds are advanced.
- Funds may be drawn down up to the maximum LVR allowed for the property type based upon the current 'as is' valuation or the total cost of project. Further drawdowns may be subject to further valuations.
- The LVR calculation will be based on the total funds drawn to date plus this drawdown request, divided by the value stated in the RVR provided for this stage of the building project.
- The total amount drawn down cannot exceed the original loan amount approved.
- The final drawdown requires confirmation that the property is fully insured, a Valuers Completion Certificate and a final Code Compliance Certificate. If the Compliance Certificate or written confirmation from the consent authority is not available, 5% of the loan funds from final drawdown will be retained pending production of the certificate.

### **Progress drawdown valuation requirements**

Value of building contract	LVR	Contract Type	
		Fixed price	For costs and quotes
≤\$600k	≤80%	At practical completion	A minimum of: <ul style="list-style-type: none"> <li>• Roof on and lock-up stage</li> <li>• An updated RVR at practical completion</li> </ul>
≤\$600k	>80%		A minimum of: <ul style="list-style-type: none"> <li>• Roof on and lock-up stage</li> <li>• An updated RVR at practical completion</li> </ul>
>\$600k	All		A minimum of: <ul style="list-style-type: none"> <li>• Roof on and lock-up stage</li> <li>• An updated RVR at practical completion</li> </ul>
>\$1m	All		A Quantity Surveyor (QS) report is required prior to construction being undertaken. A QS Inspection Report is required prior to each progress drawdown.

### **Owner builders/subcontractors, kit homes and relocatable homes**

Loans for this category will generally be limited to an amount no more than the maximum extension value of the land only. A valuation of the land or contract of sale must be held.

## **LENDING TO FAMILY TRUSTS**

### **Lending to a family trust**

There are a number of requirements specific to family trust lending. These will depend on whether the lending is existing or new lending and how the transfer to the trust is being undertaken.

### **First-time lending to a trust**

When lending to a trust for the first time, where ANZ has had no previous lending to the trust and the application is not a transfer to a family trust, the following will be required:

- Trust deed
- Full loan application
- Security of first registered mortgage over the security property.

### **The trust deed**

Documentation requirements for all lending involving a trust:

- A copy of the original executed trust deed must be held by ANZ.
- The trust deed must have the following clauses:
  - Power to borrow
  - Power to guarantee
  - Power to open accounts
  - Power to mortgage trust assets
- Trustees' indemnity clause. An indemnity clause basically states that the trustees have a right to be compensated by the trust for any loss incurred during the normal operation of the trust. Any limitation of the trustees' right of indemnity against the assets of the Trust should be noted as it may adversely affect ANZ's rights as creditor.

## FIRST HOME BUYERS AND APPLICATIONS REQUIRING A GUARANTOR

ANZ has options specifically designed to help first home buyers into a home of their own sooner than expected.

### Guarantees

#### How it works/benefits

#### Conditions

- Parents or other family members provide a guarantee for the amount of the deposit with supporting security (usually a first mortgage over residential property).
- Allows parents or other family members to use their assets to help – without having to provide any money up front.
- Guarantees can be limited to the amount of the deposit only.
- Great for high income earners who can easily service their loan.
- As a general rule, ANZ's over 80% lending policy applies.
- The amount that may be borrowed depends on how much income is available to make repayments, after deducting regular expenses.
- The Borrower must have a healthy budget surplus after all obligations.
- An RVR may be required on the purchase property
- The Guarantor must be able to service the guaranteed amount if required to, plus their own existing personal liabilities.
- All 'sibling' group exposure is limited to 25% of the parent's or other family member's property.
- An application fee may apply.
- A main bank relationship with ANZ is encouraged for both Borrower and Guarantor.
- Guarantors are required to receive legal advice. It is recommended that the Borrower and Guarantor seek independent legal advice.
- An application from both the Borrower and Guarantor is required for the Bank to assess the application.
- A condition of the loan requires the Adviser to interview both the Borrower and the Guarantor.

### Gifting

#### How it works/benefits

- Parents or other family members gift the deposit amount needed
- Parents benefit as they have no ongoing obligations to the bank.

### Joint Borrowing

#### How it works/benefits

- The home loan is assessed on the joint financial situation (including the equity parents or other family members may have in their own home).
- Parents or other family members can limit their obligations to the Bank – joint borrowing can be for the amount of the deposit only.

### What is an application requiring a guarantor?

A guarantee will be required where a third party has offered to provide additional security in order to enable a customer to meet ANZ security requirements. For example, a customer wishes to borrow 100% of the purchase price of the property and their parents are offering their own house as additional security.

### Key information about applications requiring a guarantee

- The applicants must be able to afford to service the full amount borrowed, without any reliance on the income from the guarantor.
- ANZ will need to take a first registered mortgage against the guarantor's property. This means the guarantor cannot have any other mortgage registered against their property.

### Recommended structure for deals requiring a guarantor

The recommended structure for applications requiring a guarantor is to split the loan between what the customer is able to borrow based on their own security and the remainder of the loan required.

For example:

- One loan for 80% (or relevant LVR) of the property value (lower of purchase price/RVR).
- One loan for the remainder the applicant wishes to borrow.

The guarantee provided by the third party will limit their liability to 20% of the overall debt.

### Legal advice for the guarantor

The guarantor will be required to obtain legal advice and ANZ strongly recommends this is independent legal advice, as the guarantor must be comfortable with the debt that they are guaranteeing prior to finance becoming unconditional.

## NON-TRADING COMPANIES (NTCS) OR LOOK THROUGH COMPANIES (LTCS)

### What are NTCs?

NTCs are the common term for LTCs. They may allow the individual to keep investment income and costs separate from their personal income and expenditure, and investment assets and liabilities separate from their personal assets and liabilities.

NTCs have become popular over recent times as a financial vehicle for individuals to make investments (largely residential property investments). NTCs must be registered with Inland Revenue as NTCs.

### Documentation requirements with a loan application for an NTC

A copy of the Certification of Incorporation is required.

A copy of the company constitution is not required at assessment.

**When a mortgage is to be taken by the customer**, the constitution is vetted by the solicitor who confirms the power to borrow and confer security by signing the solicitor's certificate.

**If a mortgage is already held by the customer**, a standard letter (directors' declaration) will be sent to the branch along with the loan documents for signing. The letter states that there have been no changes made to the constitution since the mortgage was taken and further confirms the company's power to borrow. The letter must be signed by the directors, witnessed and forwarded to ANZ with the loan documents.

### Settlement will not take place until the following has been received:

- Documentation evidencing income the NTC will receive:
  - Historical financial accounts (the previous two years).
  - Cashflow forecasts.
  - Copies of tenancy agreements, etc.
- Documentation evidencing the personal incomes of directors/shareholders as per a normal loan application (e.g. payslips, personal tax returns).
- Personal statements of financial position and income and expenditure from each of the directors/shareholders (full name and address details must also be provided for credit reference checks).

### Security requirements

The following security will be taken to secure lending to an NTC:

- Registered mortgage over property
- Personal guarantees and indemnities from the directors/ shareholders to support the NTC
- If the NTC is also to secure borrowings in the directors'/ shareholders' personal names, a guarantee and indemnity from the NTC to support the directors/ shareholders is also required.

## LEGISLATION

The following provides a very brief summary of the principal statutes of which you should be aware. This summary is not exhaustive and is not intended to be relied upon. It does not avoid your obligation to ensure that you are fully familiar with these and other statutes relevant to your role.

### The Credit Contracts and Consumer Finance Act 2003 (CCCFA)

The purpose of the CCCFA is to protect consumers when they borrow money.

A Responsible Lending Code has been produced as a guide on how to comply with the principles.

You should be aware of ANZ's obligations under the Act and must avoid harassing and coercing customers or guarantors to enter into loan facilities. This means that you should not use physical force, undue pressure or other high-pressure selling techniques in connection with loan facilities.

### Responsible Lending Code (RLC)

The purpose of the RLC is to explain and offer guidance on how the lender responsibility principles may be implemented.

The structure of the RLC is based around the lender responsibility principles broadly in the order that they would apply throughout the life cycle of a credit agreement. The RLC is divided into the following sections:

- a) Obligations that apply before and throughout the agreement
- b) Advertising
- c) Inquiries into and assessment of borrowers' requirements and objectives
- d) Inquiries into and assessment of substantial hardship
- e) Assisting borrowers to make an informed decision
- f) Assisting guarantors to make an informed decision
- g) Credit related insurance and repayment waivers
- h) Fees
- i) Subsequent dealings
- j) Default and other problems
- k) Repossession
- l) Oppression.

The RLC provides:

- I. the extent of reasonable inquiries a lender should undertake; and
- II. the extent of assistance a lender should provide.

to comply with the relevant lender responsibilities may differ depending on factors relating to the credit agreement or the borrower.

For instance, to assess whether a borrower will make repayments without suffering substantial hardship, the lender should conduct more detailed inquiries of borrowers where the consequences of default are serious or there is a greater risk of default.

You can make a judgement as to the extent of inquiries, as well as the extent of assistance that should be provided for any given transaction based on the factors set out in the relevant section of the RLC. However, you should be satisfied that the extent of inquiries and assistance is reasonable and will be sufficient to comply with the lender responsibility principles.

The guidance in the RLC is intended to be technology neutral in the sense that:

- a) a lender should be able to comply with the guidance in the RLC when lending online or in-person
- b) the level of responsibility for lenders (and the level of consumer protection provided) is not lower for any particular lending channel used, although the steps that you take to achieve compliance with the guidance in the RLC may differ depending on the lending channel.

You must be aware that ANZ follows the Responsible Lending Code. You must therefore take care to ensure that all information provided to customers about ANZ's facilities is accurate, up to date and not misleading or confusing. You must ensure that you have made reasonable inquiries so as to be satisfied that it is likely that the borrower will make the payments under the agreement without suffering substantial hardship. You must disclose to ANZ all information about an application that could affect ANZ's decision to approve a loan.

#### **Code of banking practice**

The code of banking practice sets the good banking practices which member banks of the New Zealand Bankers' Association have agreed to observe when dealing with their customers.

The code sets out what you can expect from all member banks.

These include:

- Treat you fairly and reasonably
- Communicate with you clearly and effectively
- Respect your privacy and confidentiality and keep our banking systems secure
- Act responsibly if we offer or provide you with credit
- Deal effectively with your concerns and complaints.

#### **You must be aware that ANZ follows the Responsible Lending Code in order to comply with the CCCFA.**

For example, ANZ must ensure that:

- The customer is provided with sufficient information about its various credit facilities to allow them to make an informed decision.
- It provides credit only where it reasonably believes that the customer has the capacity to repay the loan, taking into account a number of factors:
  - The customer's financial history
  - Information from credit reporters
  - Information supplied by the customer.

#### **ANZ must also:**

- Disclose to customers how they must repay their loans, the interest rates, the security requirements and any charges and costs
- Provide customers with written advice of the terms and conditions
- Keep customer information confidential
- Recommend that guarantors obtain independent legal advice
- Not engage in misleading or deceptive behaviour
- Act fairly and reasonably towards customers.

#### **Fair Trading Act 1986**

The purpose of the Act is to contribute to a trading environment in which the interests of consumers are protected, businesses compete effectively and consumers and businesses participate confidently.

Principally, the Act prohibits:

- Deceptive or misleading conduct and false representations
- Conduct that is likely to mislead consumers as to the nature, characteristics, suitability or quantity of goods or services
- False representations in trade that goods or services are of a particular kind, standard, quality, grade, quantity, style or mode
- False representations as to the price and origin of goods and services
- Certain sales techniques, such as harassing and coercing customers
- Unsubstantiated claims.

You must therefore take care to ensure that all information provided to customers about ANZ's facilities is accurate, up to date and not misleading. The omission of material information may also be considered misleading.

### **Automatic Exchange of Information (AEOI)**

AEOI is the exchange of financial account information between Tax Authorities in relevant countries. The law requires this information to be collected by Financial Institutions around the world for reporting to Tax Authorities.

ANZ must collect a self-certification form from customers before a new account is opened or before loan documentation can be prepared. This means:

- You will be required to ensure that both new to bank and existing customers complete a self-certification form.
- Completed self-certification form(s) must be attached with every Loan Structure Confirmation form sent to ANZ. This information will also be required for some maintenance requests where new loan agreements are required.
- The forms are published on anz.com/aeoi in the New Zealand section for customers to access. We recommend that your customers complete these forms as soon as possible.

### **Consumer Guarantees Act 1993**

The Act gives consumers certain rights and remedies against the providers of goods and services.

The Act applies to customers who seek residential home loans, but not to customers who seek loans for commercial or investment purposes.

The Act guarantees to customers that the services provided by ANZ:

- Will be carried out with reasonable care and skill, and within a reasonable period of time
- Will be reasonably fit for any purpose made known by the customer
- Will not cost more than a reasonable price where the price is not determined by contract.

You must therefore take care to ensure that any advice or representations they make to customers about ANZ's facilities are appropriate and accurate. In particular, any advice given to customers about ANZ products must be current, accurate and not misleading.

You must also disclose to ANZ all information of which they are aware about an application that could affect ANZ's decision to approve a loan.

### **Privacy Act 1993**

The Act as it relates to lending, controls the collection, storage and use of credit information about individuals.

To ensure compliance with the Act, you must:

- Obtain a credit information authority (which enables ANZ to obtain a report from a credit reporter) from each person who is a party to the loan (including guarantors)
- Ensure that they do not use information supplied by customers other than for the purposes of submitting loan applications to ANZ.

### **Financial Advisers Act 2008**

The Act promotes the sound and efficient delivery of financial adviser services and encourages public confidence in the professionalism and integrity of financial advisers. In doing so, the Act:

- Requires disclosure by financial advisers to retail clients to ensure clients can make informed decisions about whether to use the financial adviser and whether to follow their advice
- Imposes competency requirements on certain financial advisers who deal with retail clients to ensure that these are available to clients financial advisers who have the experience, expertise, and integrity to match a person to a financial product that best meets that person's need and risk profile
- Ensures that financial advisers are held accountable for the services they provide to retail clients and that there are incentives for financial advisers to manage conflicts of interest appropriately.

You must therefore ensure that, when providing a financial adviser service to retail clients in relation to ANZ's products and services, you are appropriately qualified, registered and authorised (where necessary), and aware of your disclosure and conduct obligations under the Financial Advisers Act.

### **Overseas Investment Act 2018**

From 22 October 2018, new restrictions on 'overseas persons' buying or acquiring residential land or property in New Zealand took effect. As a result, any customer who is an 'overseas person' under the Act may need the consent of the Overseas Investment Office before they are allowed to buy or acquire residential land or property, or an interest in residential land or property, in New Zealand.

An 'overseas person' is somebody who is not a New Zealand citizen (whether or not living in New Zealand) or 'ordinarily resident in New Zealand' as defined under the Act.

Under the Act, a person is 'ordinarily resident in New Zealand' if they hold a New Zealand residence class visa and they:

- Have been residing in New Zealand for at least the immediately preceding 12 months (not visiting); and
- Are a tax resident in New Zealand; and
- Have been physically present in New Zealand for 183 days or more in total in the immediately preceding 12 months.

Residential land means any land that is zoned as residential or lifestyle by a territorial authority for rating purposes. This is a broad definition, and could include business or commercial premises that are located on land zoned as residential, large lifestyle blocks, as well as some rural properties that are zoned as lifestyle.

You must let customers know about the requirements of the Act. If customers have any questions about whether they are able to buy or acquire residential land or if they might need consent before they can do so, they should discuss this with their lawyer or other advisor.

