



CUSTOMER FINANCIAL POSITION VERIFICATION STANDARDS AND RECOMMENDED BEST PRACTICE (NCCP ACT REGULATED CREDIT FACILITIES)

The following standards are recommended for adoption by Australian Credit Licence holders and their representatives, as appropriate minimum evidence verification steps, in relation to applications for NCCP Act regulated finance. Licence holders may wish to apply more stringent standards that they consider appropriate.

INCOME

PAYE Income - inc. PAYE base, overtime, work related allowances, commissions and bonuses

- Most recent two pay advices, and
- Financial institution account statement/s showing salary credits identified by employer name.

If either of the above is not available, any one of the following:

- Most recent year Payment Summary (if still with same employer);
- Employment Letter;
- Copy of Employment Contract

Where the applicant's employer is located outside Australia, the above standards apply, with the following additional steps:

- Completion of a telephone employment and income verification check; and
- Completion of an internet search to confirm employer website; and
- Matching of pay advices to account statements over a minimum of two pay cycles

Self Employed Income -

- Most recent two submitted complete tax returns and ATO Assessment Notices (personal and business); and
- Full financial statements corresponding with the submitted tax returns;
- If two returns are not available, one year plus BAS covering a minimum of two quarters; or

- Tax Assessment Notices for the two most recent financial years (where proposed LVR does not exceed 80%)

Self Employed Income (Low Doc) -

- ABN registration evidence; and
- GST registration evidence (if stated income exceeds GST threshold); and
- BAS for a minimum four quarters; or
- Financial institution transaction account statements covering a minimum of twelve months; or
- Income Declaration from accountant

Centrelink or Other Government Income -

- Centrelink or other government agency statement showing nature and amount of entitlement/s; or
- Financial institution account statement/s evidencing the income payment

Maintenance/Child Support Income -

- Child Support Agency Notice or Court Order confirming payment obligation terms; and
- Financial institution account statement/s showing receipt of the payments for a minimum of three months

Dividend/Interest/Other regular investment Income -

- Most recent full tax return and ATO Assessment Notice; and
- Payment statements or financial institution account statement/s showing receipt of income

Rental Income - property already owned -

- Current formal tenancy agreement; or
- Current rental statement prepared by managing agent; or
- Financial institution account statement/s showing receipt of rental payments

Rental Income - property to be purchased -

- Valuation Report noting estimated rental return; or
- Written rental return estimate prepared by a licensed real estate agent

COMMITMENTS

Credit facilities being refinanced (mortgage loan/s) -

- Loan account statement/s showing the transactions and account balance over a minimum period of three months or six months if projected LVR exceeds 80%

Credit facilities being refinanced (non mortgage loan/s or facilities) -

- Loan account/credit facility account statement/s showing the transactions and account balance (where possible) over a minimum period of three months

Credit facilities not being refinanced/repaid at settlement of proposed new loan/s -

- Loan account/credit facility account statement/s showing the relevant credit limit, loan balance and repayment amount; or
- Loan Agreement/Credit Contract showing the loan amount and required repayment amount

Child Support/Maintenance payment -

- Child Support Agency Notice or Court Order confirming payment obligation terms

EXPLANATORY NOTES FOR THE STANDARDS

INCOME

1. Pay advices

Must satisfy these requirements (which incorporate the Australian Standard, as specified by the Fair Work Ombudsman):

- Computer generated;
- Includes the employer business name and ABN/ACN;
- Notes the employee name;
- Date of payment noted (no greater than 30 days prior to the loan application submission date);
- Includes a year-to-date income figure;
- Pay period noted;
- Gross and net pay noted;
- Hourly pay rate and number of hours worked noted (if relevant);
- Loadings, allowances, bonuses, incentive payments, penalty rates or other entitlements separate from the ordinary hourly rate noted;
- Deductions noted, including the amount and details of each deduction;
- Superannuation contributions paid for the employee's benefit noted, including amounts and name of the fund to which contributions were made.

2. Employment Letter

Must satisfy these requirements:

- Show employer name and ABN/ACN;
- Show employer address and telephone number (not mobile);
- Show the name and position of the person signing the letter;
- Be signed by the named person;
- Include the name, position, status (full time, part time, casual), base income and any allowances/commissions (as distinct from a package amount) and start date of the employee;
- Be dated not greater than 30 days prior to the loan application submission date

3. Employment Contract

Must satisfy these requirements:

- Show employer name and ABN/ACN
- Show employer address and telephone number (not mobile);
- Be signed by the employee and an authorised representative of the business;
- Include the name, position, status (full time, part time, casual), base income and any allowances/commissions (as distinct from a package amount), contract start and end dates;

- Be not expired i.e. still current

4. Financial institution account statements evidencing employment income

Must satisfy these requirements:

- Show the account holder's name, institution name, account number;
- Salary/wage credits are identified as such, with the employer name noted;
- Statement/transaction listing to be dated no greater than 14 days prior to the loan application submission date;
- Note that transaction listings printed from the internet are acceptable evidence if they meet the above criteria and show progressive account balances

5. Tax Returns for Self-Employed Applicants

- If the loan application submission date is 1 April or thereafter, the tax returns must be for the most recent two completed financial years.
- In an ATO Assessment Notice has not yet been issued, evidence of the supplied tax return having been lodged with the ATO will suffice.

6. Self-Employed Applicants (Low Doc)

- Most recent BAS supplied must not be dated greater than 3 months prior to the loan application submission date;
- Financial institution account statement/transaction listing to be dated no greater than 30 days prior to the loan application submission date;
- Financial institution account statement/transaction listing must show the account holder's name, institution name, account number;
- Accountant's Declaration must show the accountant's name, business address, contact telephone number (not mobile), be signed and dated not greater than 30 days prior to the application submission date, note the applicant's income, the basis for the accountant's income statement and the period for which the accountant has been engaged by the applicant.

7. Centrelink or Other Government Income

- Centrelink or other Government agency statement must be dated not greater than 60 days prior to the loan application submission date;
- Financial institution account statement/transaction listing must show the account holder's name, institution name, account number

8. Maintenance/Child Support Income, Dividend/Interest/Other regular investment Income, Rental Income

- Financial institution account statement/transaction listing must show the account holder's name, institution name, account number

9. Business Activity Statements (BAS)

- ATO Portal lodged BAS; or
- ATO Running Balance Account Statement for manually lodged BAS

COMMITMENTS

1. Credit facilities being refinanced (all loans/facilities)

- Financial institution account statement/transaction listing must show the account holder's name, institution name, account number

2. Credit facilities not being refinanced/repaid

- Financial institution account statement/transaction listing must show the account holder's name, institution name, account number
- Loan Agreement/Credit Contract must show the name/s of the borrower/s, the name of the finance provider, date of the agreement, term of the loan/facility

3. Child Support/Maintenance payment

- Child Support Agency Notice or Court Order must show the name of the obligated party and the date of the document

BEST PRACTICE RECOMMENDATIONS

1. Financial Institution Account statements

It is recommended to obtain statements for the applicant's transaction account/s covering at least the three months prior to the application date. Aside from confirming availability of funds to complete (where applicable) and providing evidence of genuine savings (where applicable), the statements can provide relevant evidence in respect of:

- Income verification;
- Financial commitment verification;
- Actual living expenses and other regular commitments.

A study of statements by a broker can reveal regular direct debits and other payments that may be related to financial commitments or liabilities that the applicant has overlooked or chosen to not disclose e.g. a rarely used credit card or interest free facility. Brokers should question the applicant in relation to any regular payments showing on the statements that have not been accounted for in the financial position assessment.

2. Phone Verification of Employment and Income details

Where a broker has any doubts or concerns about the integrity of any employment/income evidence provided by an applicant, or where the information contained in such evidence has questionable elements, the broker should undertake additional verification steps. This will often be best achieved by carrying out a telephone verification of the applicant's employment and income. Some broking groups adopt these checks as standard practice in all instances.

Tips for completing phone verification steps:

- Confirm the contact telephone number from the business' website or from the telephone directory;
- Call a land line number, rather than a mobile number;
- Identify yourself and state the purpose of the call;
- Confirm the name and position of the person who is providing the employment/income verification;
- Record the details of the check in writing and retain that record with the Preliminary Assessment;
- Suggested templates for recording the check and applicant consent for the check are provided.

3. Credit History File Check

Obtaining a loan applicant's Credit History file is an effective way to provide an additional layer of verification in relation to financial commitments. It may reveal credit facilities not disclosed by the applicant, which need to be included in the credit application and serviceability assessment. Adverse credit history, if it exists, will also be noted, which may have a significant impact on whether the application can be submitted and, if so, to which lender. In those instances where an applicant advises that they have, or may have, adverse entries on their Credit History File, obtaining the File prior to submission is essential.

4. Non-Resident Applicants

Due to the increased level of risk associated with dealing with non-residents, the following steps are recommended when preparing loan applications for such applicants.

Know Your Customer

- Where an applicant is new to the broking business or group (i.e. they have not previously arranged loans with the broker's individual business or aggregator group), all applicants must be met personally and interviewed face-to-face by the Credit Representative under whose name the loan application is to be submitted to the lender i.e. telephone, Skype, WeChat etc. initial interviews will not be acceptable. For existing customers, interviews by electronic means will be acceptable where the Credit Representative is satisfied of the legitimacy of the enquiry.

- The Credit Representative needs to prepare a written record of the personal meeting with the applicant, noting the date, time, location and outcome of the meeting. This record is to be saved and stored appropriately.
- Where a signature is required by an applicant on any document, the signature needs to be in the applicant's usual format i.e. it corresponds with the signature on their ID documents, even where the signature language is not English.

Evidence Documents

- Original identification documents must be physically sighted by the Credit Representative.
- Income and financial position evidence documents may be received by electronic means, however originals need to be requested and received by the Credit Representative if any doubts arise in relation to the authenticity of the documents received electronically.
- Employer letters provided in support of employment must be signed by an appropriately authorised representative of the employer, the signatory's name being noted in the letter.
- All other evidence requirements are as according to MFAA's *Customer Financial Evidence Verification Standards*.
- Where the evidence documents are composed in a language other than English, a written translation of the document is to be obtained from an appropriately accredited, Australian based document translation service. Translations are to be saved and stored appropriately.

Verification of Information

- The Credit Representative needs to arrange for telephone verification of employment and income by telephoning the employer noted in the provided documentation. A record of the steps taken needs to be prepared by the Credit Representative and this record is to be saved and stored appropriately.
- The record of steps taken prepared needs to note, as a minimum: the date/s and time/s of the call/s made, the name of the individual making each call, the name/s of the person/s spoken with at the employer, the outcome of each call made.

5. Investment Property Purchasers Living with Parents/Relatives

Where an applicant purchasing/constructing/refinancing an investment property advises that they are living at home with parents or other relatives and paying little or no board (with a resulting positive impact on serviceability assessment), documentary evidence of their residential address i.e. confirming they live where they say they do should be requested and obtained in original form.