

Schedule 2 Verification Requirements

The Participating Lender must ensure that the following verification measures are undertaken to confirm satisfaction of the Eligibility Criteria in respect of matters included by the NHFIC Investment Mandate.

Rules 3.2 ("Eligible Borrowers"), 3.3 ("Eligible Property") and 3.4 ("Eligible Loans") include additional Eligibility Criteria which are required to be verified by the Participating Lender having regard to factual and other objective matters.

NHFIC Investment Mandate	Eligibility Criteria	Verification Requirements		
		Prior to making a Reserve Application	Prior to making a Pre-Approval Application	Prior to making a Guarantee Certificate Application
29C(2) (New Loans)	(New Loans) a loan for which all of the following are satisfied <i>at the time a loan agreement is entered into (or in the case of a New Home Guarantee, as at the New Home Guarantee Satisfaction Time for paragraphs (a) to (g))</i> :			
	(a) the loan is made by an eligible lender;	The lender must not offer Scheme-Backed Loans (including through a Representative) unless it is a Participating Lender.		
	(b) there are no more than two borrowers under the loan agreement;	The Participating Lender must ensure that no more than 2 borrowers that are Eligible Borrowers are party to a Scheme-Backed Loan.		
	(c) where there are two borrowers under the loan agreement—each borrower is the spouse or	Prior to making a Reserve Application and/or a Pre-Approval Application, the Participating Lender must enquire with the borrowers of the nature of their relationship to determine whether each	Prior to making a Reserve Application and/or a Pre-Approval Application, the Participating Lender must take reasonable steps to enquire with the borrowers of the nature of their	The Participating Lender must obtain from each borrower (and upload to the Scheme Portal) a duly completed and signed (1) First Home Buyer Declaration and/or (2) such other statutory declaration which

	de facto partner of the other borrower;	borrower is the spouse or may qualify as the de facto partner ¹ of the other borrower.	relationship to determine whether each borrower is the spouse or qualifies as the de facto partner of the other borrower.	includes a statement on whether each borrower is the spouse or de facto partner of the other borrower. The Participating Lender must keep on its files a copy of each signed statutory declaration.
	(d) each borrower under the loan agreement is an eligible first home buyer;	See "Eligible First Home Buyer" (section 29D) below.		
	(e) the loan is for the purchase of residential property;	The Participating Lender must confirm with each borrower that it intends to purchase residential property.	The Participating Lender must take reasonable steps to determine that its pre-approval for a proposed Scheme-Backed Loan is provided for the purposes of purchasing a residential property.	The Participating Lender must: (a) take reasonable steps to determine that the proposed Scheme-Backed Loan is to be used to finance the purchase of a residential property by reviewing the contract of sale; (b) obtain (and keep on its files) a copy of the signed contract of sale; and (c) obtain from the borrower(s) (and upload to the Scheme Portal) a duly completed and signed (1) First Home Buyer Declaration and/or (2) such other statutory declaration which includes a statement that the purchase is for residential property.
	(f) if the loan relates to the purchase of an interest in land on which a dwelling is not affixed, the loan also relates to the construction of a dwelling on the land;	The Participating Lender must confirm with the borrower(s) that it intends to purchase vacant land and to construct a dwelling on the land.	The Participating Lender must only provide a finance pre-approval for the purchase of land (on which there is no dwelling) and construction of a residential property. That is, the Participating Lender may not provide finance pre-approval for the purchase of land only nor for construction with 'owner-builder' arrangements.	The Participating Lender must: (a) take reasonable steps to determine that the proposed Scheme-Backed Loan is to be used to finance the land and construction of a dwelling on the land (not only to purchase vacant land with no construction of a dwelling on the land);

¹ The term 'de facto partner' is to be interpreted in accordance with the laws of the relevant jurisdiction(s) in which the borrowers reside at the time the Reserve Application is made. For the purposes of these Scheme Rules, in establishing its own processes to determine whether Borrower Couples comprise de facto partners a Participating Lender may refer to the definition for 'de facto relationship' as provided by the *Acts Interpretation Act 1901* (Cth), but without limiting the ability of the Participating Lender to rely upon legal advice and/or statutory declarations from individuals in relation to specific circumstances.

				(b) obtain (and keep on its files) a copy of the executed contract of sale; and (c) where the Scheme-Backed Loan includes a building loan, obtain (and keep on its files) a copy of the executed building contract; (d) obtain from the borrower(s) (and upload to the Scheme Portal) a duly completed and signed (1) First Home Buyer Declaration and/or (2) such other statutory declaration which includes a statement that the loan is for the purchase of land with no dwelling affixed and construction of a residential property.
			See "Property price cap" (section 29F) below.	
(g) the value of the residential property does not exceed the price cap for the area in which the property is located;			The Participating Lender must confirm with each borrower that it intends to live in the property.	
(h) the residential property that is the subject of the loan is to be owner-occupied;				The Participating Lender must: (a) take reasonable steps to determine that the proposed Scheme-Backed Loan is to be used to finance the purchase of a residential property for the purposes of the Eligible Borrower(s) residing in the property except as otherwise permitted under Rule 3.2; and (b) obtain (and keep on its files) a copy of the signed contract of sale;; and (c) where the Scheme-Backed Loan includes a building loan, obtain (and keep on its files) a copy of the executed building contract; (d) obtain from the borrower(s) (and upload to the Scheme Portal) a duly

				completed and signed (1) First Home Buyer Declaration and/or such other statutory declaration which includes a statement that the purchase is for residential property.
	(i) the loan-to-value ratio is between 80 and 95 per cent;	The Participating Lender must ensure that the loan-to-value ratio of a borrower(s) loan is between 80 and 95 per cent.		
	(j) subject to subsection (3), the terms of the loan agreement require scheduled repayments of the principal of the loan for the full period of the agreement;	The Participating Lender must confirm with the borrower(s) that they intend to obtain a loan which requires scheduled principal repayments for the full period of the loan agreement unless section 29C(3) applies. That is, if a loan relates both to the purchase of an interest in land on which a dwelling is not affixed and to the construction of a dwelling on the land, the loan may permit interest-only repayments for a specified period.	The Participating Lender must confirm with the borrower(s) that they intend to obtain a loan which requires scheduled principal repayments for the full period of the loan agreement unless section 29C(3) applies. That is, if a loan relates both to the purchase of an interest in land on which a dwelling is not affixed and to the construction of a dwelling on the land, the loan may permit interest-only repayments for a specified period.	The Participating Lender must ensure the Scheme-Backed Loan requires scheduled principal repayments for the full period of the loan agreement unless section 29C(3) applies. That is, if a loan relates both to the purchase of an interest in land on which a dwelling is not affixed and to the construction of a dwelling on the land, the loan may permit interest-only repayments for a specified period.
	(k) the loan agreement has a term of no more than 30 years.	The Participating Lender must confirm with the borrower(s) that they intend to obtain a loan for a term of no more than 30 years.	The Participating Lender must confirm with the borrower(s) that they intend to obtain a loan for a term of no more than 30 years.	The Participating Lender must ensure the Scheme-Backed Loan is for a term of no more than 30 years.
29C(4)	(Refinanced Loans) This subsection applies to a loan if:			
	(a) the loan (the refinancing loan) is for the sole purpose of fully satisfying the obligations of a borrower or borrowers under an existing loan; and	N/A	N/A	The new lender (that is a Participating Lender) will need to apply for its loan to be covered by a Guarantee Certificate via the Scheme Portal, which will include a requirement to enter the new loan amount, interest rate and loan term.
	(b) the NHFIC has previously issued a guarantee under this Part relating to the existing loan; and	N/A	N/A	The new lender from the borrower(s) (that is a Participating Lender) must obtain (and upload to the Scheme Portal) a signed and completed statutory declaration which includes a statement that it is refinancing a

					Scheme-Backed Loan and that it is not in arrears or default.
29(D)	(c)	no claim has been made in respect of the guarantee; and	N/A	N/A	N/A
	(d)	the guarantee remains in force until the refinancing loan is entered into.	N/A	N/A	N/A
	(Eligible first home buyer) A person is an eligible first home buyer in relation to a loan if, at the time a loan agreement is entered into (or in the case of a <i>New Home Guarantee</i>, as at the <i>New Home Guarantee Satisfaction Time</i>): (a) the person has never held: (i) a freehold interest in real property in Australia; or (ii) a lease of land in Australia (including a renewal or extension of such a lease) as described in paragraph 104-115(1)(b) of the <i>Income Tax Assessment Act 1997</i>; or (iii) a company title interest (within the meaning of Part X of the <i>Income Tax Assessment Act 1936</i>) in land in Australia; and The Participating Lender must: (a) for: (i) Major Bank Lenders, from 1 February 2020; and (ii) Non-Major Bank Lenders, from such time as it is required by law (or if earlier, from the date of implementation within its own organisation) to obtain such reports in connection with its mortgage lending activities, obtain and review a comprehensive or complete credit report of each borrower to identify whether the borrower has previously had a mortgage; and (b) obtain from the borrower(s) (and upload to the Scheme Portal) a duly completed and signed (1) First Home Buyer Declaration and/or (2) such				
				The Participating Lender must tick a check box on the Scheme Portal that the borrower(s) has confirmed to it that it is a first home buyer.	

				other statutory declaration which includes a statement that it is a first home buyer. If as part of its normal Lending Policies and procedures, the Participating Lender reviews a borrower(s) transactional data, the Participating Lender must use its best endeavours to identify whether property related expenses such as council rates would result in the borrower not being a first home buyer.
(b) the person is at least 18 years of age and an Australian citizen; and	N/A	The Participating Lender must: (a) verify that each borrower is at least 18 years of age against certified copies or original documents acceptable to evidence age as per its normal KYC process; and (b) verify that each borrower is an Australian citizen against certified copies or original documents of the accepted documents set out below. The Participating Lender must retain copies of the documents for its files. <u>Acceptable documents to evidence Australian citizenship:- If born in Australia:</u> (1) an Australian Birth Certificate issued by the Registry of Births, Deaths & Marriages, or (2) a current Australian passport. - <i>If born overseas:</i> (1) an Australian citizenship certificate, or (2) a current Australian passport.	The Participating Lender must obtain from the borrower(s) (and upload to the Scheme Portal) a duly completed and signed (1) First Home Buyer Declaration and/or (2) such other statutory declaration which includes a statement that it is at least 18 years of age and an Australian citizen.	
(c) the person satisfies the income test	See "income test" (section 29E) below.			

29E	(income test) A person satisfies the income test at the time of entering into a loan agreement <i>(or in the case of a New Home Guarantee, as at the New Home Guarantee Satisfaction Time)</i> if: (a) where there is more than one borrower under the loan agreement—the combined taxable income (within the meaning of the <i>Income Tax Assessment Act 1997</i>) of the borrowers in the preceding income year did not exceed \$200,000; or (b) otherwise—the taxable income of the person (within the meaning of the <i>Income Tax Assessment Act 1997</i>) in the preceding income year did not exceed \$125,000. Note: Under paragraph 29C(2)(b), an eligible loan may not have more than two borrowers under the loan agreement.	N/A	Except as otherwise expressly permitted in this Schedule 2, the Participating Lender must verify the taxable income of the borrower(s) for the preceding income year against a copy of an ATO Notice of Assessment provided by the borrower(s) to the Participating Lender. The Participating Lender must retain copies of each ATO Notice of Assessment for its files. If: (a) a borrower does not have an ATO Notice of Assessment to provide to the Participating Lender prior to the expiry of a relevant Reservation Application (the Relevant Borrower); and (b) the Relevant Borrower represents to the Participating Lender that their taxable income for preceding income year is less than the tax-free threshold applicable for that income year, then, instead of verifying the taxable income of that borrower prior to making a Pre-Approval Application in relation to that borrower (as an Individual Borrower or as part of a Borrower Couple), the Participating Lender must make reasonable enquiries of the borrower in relation to their taxable income in accordance with the Participating Lender's own Lender Policies.	The Participating Lender must: (a) have satisfied itself that the taxable income of the borrower(s) has been verified in accordance with the requirements for Pre-Approval Applications; and (b) obtain from the borrower(s) (and upload to the Scheme Portal) a duly completed and signed (1) First Home Buyer Declaration, or (2) a statutory declaration which includes a statement that the information provided by the borrower to the Participating Lender in relation to their taxable income is true and complete.
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29F(1)	(Property price cap) For the purposes of paragraph 29C(2)(g), the price cap for the area in which a residential property is located is the amount set out in the table in section 29F(1) of the NHFIC Investment Mandate.	N/A	The Participating Lender must ask the borrower(s) the area in which the borrower(s) intends to purchase the eligible residential property. This information must be entered by the Participating Lender into the Scheme Portal in each Pre-Approval Application by selecting the most appropriate option from a dropdown box which will contain geographical regions as per the NHFIC Investment Mandate. The Price Cap Area Identification Schedule sets out the relevant Price Caps by postcode. The Participating Lender must obtain (and keep for its files): (a) a copy of the full contract of sale; and (b) where the Scheme-Backed Loan includes a building loan, a copy of the executed building contract; ; and (c) a duly completed and signed First Home Buyer Declaration from the borrower(s).
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In addition to the above Verification Requirements, the following Verification Requirements apply to New Home Guarantees.

NHFIC Investment Mandate	Eligibility Criteria	Verification Requirements		
		Prior to making a Reserve Application	Prior to making a Pre-Approval Application	Prior to making a Guarantee Certificate Application
29IA(3) (New Home Guarantees)	(Requirements for New Home Guarantees) the following requirements must be satisfied at the time the loan agreement is entered into:			
	(a) the loan relates to the building or purchase of a Newly Built Dwelling;	The Participating Lender must confirm with each borrower that it intends to purchase or construct a Newly Built Dwelling.	The Participating Lender must not pre-approve a proposed Scheme-Backed Loan that is not for the purchase or construction of a Newly Built Dwelling.	The Participating Lender must: (a) take reasonable steps to determine that the proposed Scheme-Backed Loan is to be used to finance the

29A(3)(b)	(b) where the loan relates to the purchase of an interest in land and the construction of a Newly Built Dwelling on the land;	The Participating Lender must confirm with each borrower that it intends to purchase or construct a Newly Built Dwelling.	The Participating Lender must not pre-approve a proposed Scheme-Backed Loan that is not for the purchase or construction of a Newly Built Dwelling.	purchase of a Newly Built Dwelling; and (b) obtain (and keep on its files) a copy of the signed contract of sale; and (c) where the Scheme-Backed Loan includes a building loan, obtain (and keep on its files) a copy of the executed building contract; (d) to the extent applicable, obtain a copy of the (i) construction commencement certificate and/or (ii) the occupancy certificate (e) obtain from the borrower(s) (and upload to the Scheme Portal) a duly completed and signed (1) First Home Buyer Declaration and/or such other statutory declaration which includes a statement that the purchase is for a Newly Built Dwelling.
	(i) if it is more than 90 days after the eligible lender gave notice of approval by the NHFIC for the issue of a guarantee—the borrower or borrowers have entered into a construction contract	The Participating Lender must advise each borrower that it has 90 days from the date of obtaining a Pre-Approval to enter into a contract of sale and building contract.		
	(ii) if it is more than 6 months after the date the construction contract was entered into—the construction of the dwelling has commenced; and.	N/A	N/A	
	(iii) if it is more than 24 months after construction commenced—the construction of the dwelling has been completed	N/A	N/A	
29A(3)(c)	(Off-the-Plan) where the loan relates to the purchase of a Newly Built Dwelling that is off-the-plan:	The Participating Lender must confirm with each borrower that it intends to enter into an Off-the-Plan Arrangement.	The Participating Lender must not pre-approve a proposed Scheme-Backed Loan that is not an Off-the Plan Arrangement.	The Participating Lender must: (a) take reasonable steps to determine that the proposed Scheme-Backed Loan is to be used to finance the purchase of a Newly Built Dwelling; and (b) obtain (and keep on its files) a copy of the signed contract of sale; and
	(i) if it is more than 90 days after the eligible lender gave notice of approval by the NHFIC for the issue of a guarantee—the borrower or borrowers have entered into a contract of sale; and	The Participating Lender must advise each borrower that it has 90 days from the date of obtaining a Pre-Approval to enter into a contract of sale.		

	(ii) if construction of the dwelling had not commenced on or before the date that the contract of sale was entered into (the contract date), and it is more than 6 months after the contract date— construction of the dwelling has commenced ; and	N/A	None required prior to obtaining a Pre-Approval. However, there certain verification requirements apply as at the New Home Guarantee Satisfaction Time as set out in a Contracts Application for an Off-the-Plan Arrangement under a New Home Guarantee in Part 4 of Schedule 1 (Required Information) and Rule 4.5.	(c) to the extent applicable, (i) obtain evidence Construction Commenced and/or (ii) Construction has been Completed; and (e) obtain from the borrower(s) (and upload to the Scheme Portal) a duly completed and signed (1) First Home Buyer Declaration and/or such other statutory declaration which includes a statement that the purchase is for a Newly Built Dwelling.
	(iii) if subparagraph (ii) applies, and it is more than 24 months after construction commenced— construction of the dwelling has been completed; and	N/A	None required prior to obtaining a Pre-Approval. However, there certain verification requirements apply as at the New Home Guarantee Satisfaction Time as set out in a Contracts Application for an Off-the-Plan Arrangement under a New Home Guarantee in Part 4 of Schedule 1 (Required Information) and Rule 4.5.	
	(iv) if construction of the dwelling commenced on or before the contract date, and it is more than 24 months after the contract date— construction of the dwelling has been completed.	N/A	None required prior to obtaining a Pre-Approval. However, there certain verification requirements apply as at the New Home Guarantee Satisfaction Time as set out in a Contracts Application for an Off-the-Plan Arrangement under a New Home Guarantee in Part 4 of Schedule 1 (Required Information) and Rule 4.5.	