

New Zealand Home Bonds Limited



Credit Policy 2010

The purpose of this document is to inform the reader of New Zealand Home Bonds Ltd ("NZHB") Credit Policies;

Credit Approval Policy – Development Homebonds

General Policy

- **Total Exposure for all Applicants (including security) cannot exceed \$120,000;**
- **No more than two Bonds for any applicants;**
- **NZHB will not take a property as security where there are two or more charges in front of NZHB;**
- **LVR no greater than 80% excluding the NZHB debt on properties that are worth under \$750,000;**
- **LVR no greater than 70% excluding the NZHB debt on properties that exceed \$750,000 in value;**
- **NZHB will always register a caveat on all properties where exposure is over \$60,000 (no exceptions);**
- **NZHB will never approve under 2.5 times cover unless NZHB has a 1st mortgage on the security;**
- **No related parties (No vendor applications or their wives, companies, trusts) – No Exceptions.**

1. Definition of a Standard Development Homebond:

- a) Not more than \$60,000 including other exposure to the same indemnifiers; and
- b) Applicants have clean credit history (Identified with Veda Advantage showing no defaults, collections or judgements) excluding rectified defaults and/or collections not exceeding the lesser of \$2000 or 2% of proposed total exposure;
- c) The same Applicants purchasing no more than 2 units. (Accessory units considered part of a single unit.); and
- d) Security property providing equity not less than 3 times total proposed exposure; and
- e) Amounts (excluding NZHB) secured against the Security property does not exceed 80% of the value of that property when the value of the property is under \$750,000 in value; and
- f) Amounts (excluding NZHB) secured against the Security property does not exceed 70% of the value of that property when that property is valued at over \$750,000; and
- g) Security property is not an apartment (apartment defined as part of a more than 2 storey complex of multiple dwellings but not including terrace housing); and
- h) No other abnormalities in the application or cause for concern with the security property, the valuation of the security property, the determination of existing debt or doubts regarding the Indemnifiers; and

- i) Project for which the Development Homebond is to be issued is approved by NZHB.

3. Accumulation of risk.

Applicants shall be considered the "same" for the \$60,000 test when;

- a) Any of the Applicants are the same persons in any capacity except as professional trustees; or
- b) The security property is the same; or
- c) When common links are seen by NZHB.

(By this test Applicants are the same whether they are there in their personal capacity, or as trustees (except professional trustees) or company directors (except professional trust company directors).)

NZHB require the following to process an application.

(Note: To be read in conjunction with the specific NZHB application form)

1. NZHB Application Form

To be completed by;

- i) All Proprietors of the security property(ies)
- ii) All Purchasers on the Sale and Purchase Agreement.

Note: Where a Trust owns the property(ies) **ALL** Trustees must sign

Where a Company owns the property(ies) the following Directors must sign

- 1 Director – This Director must sign
- 2 Directors – Both must sign
- More than 3 Directors – Two Directors must sign

2. Veda Advantage Credit Checks

- i) Using Veda Advantages website www.vedaadvantage.com. Credit Checks are to be conducted on all applicants.
- ii) If there are any defaults or collection refer to point 2. b) in the Credit Approval Policy

3. Evidence of the Value of the security property(ies)

Evidence of Security property ownership shall be by;

- i) Certificate of title (CT) search by NZHB www.landonline.govt.nz; or
- ii) When the CT indicates other ownership by a solicitors written confirmation addressed to NZHB confirming the correct ownership.

Evidence of Security property value shall be by;

- i) Government Valuation (GV); or
- ii) Rating Valuation (RV); or
- iii) GV or RV increased by a percentage which percentage is approved by the Credit Manager based upon a pattern of relative values in that area; or
- iv) Valuation by a registered valuer; or
- v) E-Valuer through Quotable Value www.qv.co.nz; or
- vi) An agent's assessment addressed to NZHB when that assessment is approved by a Director / Credit Manager and Lumley's appointee.
- vii) Evidence of a recent arms length sale. (S&P Agreement and/or QV – Sales History)

Evidence of secured charge holders shall be by;

- i) CT (NZHB shall determine if the secured charge holder is properly identified); or
- ii) A solicitor's written confirmation to NZHB.

Evidence of secured amounts shall be required in every case by;

- i) An online search of the charge disclosing the mortgage amount or priority; or
- ii) Current evidence from the charge holder; or
- iii) A charge holder statement not more than 45 days old.
- iv) A solicitor's written advice to NZHB

4. Fees

If the Purchaser or the Sale Agent is paying NZHB require the fees before NZHB Unconditionally Approves. If the Vendor is paying NZHB require the fees before NZHB issue the Development Homebond (On Risk)

5. Sale and Purchase Agreement

NZHB is to be provided with a S&P that is

- i) Dated
- ii) Signed by Both the Vendor and Purchaser
- iii) The Purchase Amount reflects that of the Application
- iv) The Deposit Amount reflects that of the Application

Note: NZHB to confirm with the Vendor's solicitor that the Sale and Purchase Agreement has been deemed Unconditional in regards to the Purchaser's conditions before we issue the Development Homebond.

Registration / Discharge of Security

Caveats to be registered over the Security Property in the following circumstances;

- i) Prior to approval and advised to property owners;
 - Total proposed exposure exceeds \$60,000; or
 - Purchasing 2 units (irrespective of whether this involves more than one sale and purchase agreement) unless otherwise by a Director and Lumley's appointee; or
 - When the security property is in New Zealand and the applicant(s) reside outside New Zealand; or
 - When a Director / Credit Manager or Lending Consultant or Lumley's appointee instructs; or
 - When the Credit Manager thinks it prudent.
- ii) Following a periodic review of the file when;
 - The certificate of title reveals charges of any sort which were not present the unconditional approval was granted. This is at the Discretion of the Director / Credit Manager and Lumley's appointee (NZHB / Lumley may not caveat on the first offence); or
 - When credit checks show any new default, collection or judgement;
- iii) At any time when NZHB thinks it prudent or becomes aware of any adverse information regarding the Applicants or the Security property;

- iv) When at settlement NZHB becomes aware of any Purchaser settlement problems or delays.

Timing of Registration of Security;

- a) Caveats shall be registered immediately the requirement to register becomes apparent. This shall include registration immediately following the granting of unconditional approval.

Registered Mortgages to be over the Security Property in the following circumstances;

- a) When the Applicants fall into Default with NZHB
 - Claim is made to NZHB by the Vendor
 - A large adverse Default, Collection or Judgment is discovered by NZHB
 - At any time when NZHB and or Lumley's appointee thinks it prudent.