



Oxygen Home Loans

Lending Guidelines

(Version 1.1 – 1 September 2022)

General

- (a) Oxygen Lending Services Pty Ltd is the publisher of this document.
- (b) It can be changed at any time without notice.
- (c) We do our best to ensure accuracy, but in circumstances, this document may differ from the ultimate credit decision
- (d) We and our wholesale lender have the ultimate decision in Approving any applicant.
- (e) We abide by the National Credit Code and Responsible Lending practices for any individual lending. We will only lend to customers where we can verify that the loan will not cause any financial detriment or financial hardship.
- (f) Lenders mortgage insurance is compulsory for any loan when the LVR >80%

This document should be read in conjunction with the Oxygen Complete Rate Card and Product Information sheets.

Employment Types

PAYG

Permanent Full Time, Permanent Part Time, Casual; and Contract

Self Employed

Self Employed is the term used for any consumer that works for themselves and is not employed by another party or if they receive more than 50% of their income (including wages) from a business in which they are the sole trader, a partner, director or shareholder and where they have management control of the company.

This includes consumers who are: sub-contractors; and professional consultants.

Type	Requirements
Permanent full time	<ul style="list-style-type: none">• Minimum of 6 months in current employment• If in current employment < 6 months, must have been in continuous employment in the same industry for at least 12 months• If consumer is on probation, will be considered on a case by case basis
Permanent Part Time	<ul style="list-style-type: none">• Minimum of 6 months in current employment• If in current employment < 6 months, must have been in continuous employment in the same industry for at least 12 months• If consumer is on probation, will be considered on a case by case basis
Casual	<ul style="list-style-type: none">• Minimum of 12 months in current employment
	<ul style="list-style-type: none">• Exercise caution if casual employment is the sole source of income, such as, enquiring with employer on prospects for continuity of employment
Second Job	<ul style="list-style-type: none">• Minimum of 12 months in current employment
Contract	<ul style="list-style-type: none">• Minimum of 6 months in current employment• If in current employment < 6 months, must have been in continuous employment in the same industry for at least 12 months• Minimum 3 months remaining on contract term
Self Employed	<ul style="list-style-type: none">• Minimum 2 years trading in the current business

Acceptable Income

Australian Income

The table below details the acceptable and unacceptable types of Australian Income:

Type	Requirements
Salary and Wage	<ul style="list-style-type: none"> • 100% if employment requirements are met • Casual income assessed to a maximum of 46 weeks
Overtime	<ul style="list-style-type: none"> • 100% if regular or a condition of employment • Must be evidenced over a 6 month period
Shift Allowance	<ul style="list-style-type: none"> • 100% if regular or a condition of employment and is an industry standard • Must be evidenced over a 6 month period
Bonus / Commissions	<ul style="list-style-type: none"> • 100% if confirmed by current employer for past 2 years • If in current employment < 12 months, must have been in previous employment for at least 2 years in the same industry
Salary Sacrifice	<ul style="list-style-type: none"> • Where an employee voluntarily sacrifices a portion of their salary, 100% of the sacrifice may be taken into account and added to the gross income
Salary Packaging	<ul style="list-style-type: none"> • Where an employee is entitled to package a component of their salary pre-tax (e.g. meal & entertainment card, novated lease etc.), 100% of the packaged amount can be included as non-taxable income • Non-taxable components need to be evidenced in Salary deposits
Self Employed	<ul style="list-style-type: none"> • Minimum 2 years trading in the current business • 100% of current year's net profit capped at 150% of previous year's net profit
Company Income	<ul style="list-style-type: none"> • Minimum 2 years trading in the current business • 100% of current year's net profit capped at 150% of previous year's net profit
Car Allowance	<ul style="list-style-type: none"> • 100% against corresponding car loan repayments or added to gross taxable income
Fully maintained company car	<ul style="list-style-type: none"> • Up to \$5,000 can be added to gross income or \$3,500 to net income
Rental Income	<ul style="list-style-type: none"> • 80% of gross rental income for standard investment properties • 80% of gross rental income for SMSF investment residential properties • 80% of net rental income for SMSF investment commercial

	<p>properties</p> <ul style="list-style-type: none"> • 70% of gross rental income for National Rental Affordability Scheme (NRAS) properties • 80% of gross rental income for Specialist Disability Accommodation (SDA) properties (0% allowed where property is also receiving SDA Income) • 70% of gross rental income for Holiday accommodation properties averaged over the preceding 12 months
NDIS Income	<ul style="list-style-type: none"> • 80% of net SDA income for investment properties • 100% of gross SDA income for owner occupied properties
Investment Income	<ul style="list-style-type: none"> • 80% of investment income (e.g. shares, dividends etc.) • Interest on deposits, that are being used as funds to complete, are not acceptable • Must be consistent over the 2 years
Australian Government Bond Income	<ul style="list-style-type: none"> • 100% of Australian Government Bond income
Family Tax Benefit (as supporting income only)	<ul style="list-style-type: none"> • 100% where paid via the Family Assistance Office or the Australian Tax Office • Payment must be a Family Assistance payment (Part A and Part B only) made by the Federal Government • The dependent child/children must be under the age of 11
Child Maintenance (as supporting income only)	<ul style="list-style-type: none"> • 100% if child support agreement is registered with the Child Support Agency • 3 months bank statements confirming regular receipt of payments • Must have at least 5 years to expiry
Employer Maternity Leave Payment / Paid Parental Leave Payment	<ul style="list-style-type: none"> • 50% of Employer Maternity Leave Payment and government Paid Parental Leave Payment (Working Parent Payment) is acceptable on the basis that this income is currently being paid and will continue to be paid until the consumer returns to work
Social Security Benefits & Government Pensions	<ul style="list-style-type: none"> • 100% accepted where Oxygen considers the benefit to be a stable income source
Unemployment & Sickness Benefits	<ul style="list-style-type: none"> • Unacceptable
Workers Compensation	<ul style="list-style-type: none"> • Unacceptable
Income from Boards	<ul style="list-style-type: none"> • Unacceptable
Income Protection & TPD Income	<ul style="list-style-type: none"> • Unacceptable

Foreign Income

The table details the acceptable types of Foreign Income:

Type	Requirements
Salary or Wage	<ul style="list-style-type: none"> 80% of nett foreign income, converted to Australian dollars (using the average daily exchange rate over the past 30 days) if employment requirements are met
Overtime	<ul style="list-style-type: none"> 80% of nett foreign income, converted to Australian dollars (using the average daily exchange rate over the past 30 days) if regular or a condition of employment Must be evidenced over a 6 month period
Shift Allowance	<ul style="list-style-type: none"> 80% of nett foreign income, converted to Australian dollars (using the average daily exchange rate over the past 30 days) if regular or a condition of employment Must be evidenced over a 6 month period
Bonus/Commissions	<ul style="list-style-type: none"> 80% of nett foreign income, converted to Australian dollars (using the average daily exchange rate over the past 30 days) if confirmed by current employer for past 2 years If in current employment < 12 months, must have been in previous employment for at least 2 years in the same industry
Self Employed	<ul style="list-style-type: none"> Minimum 2 years trading in the current business 80% of current year's nett foreign income, converted to Australian dollars (using the average daily exchange rate over the past 30 days), capped at 150% of previous year's nett foreign income
Rental Income	<ul style="list-style-type: none"> 80% of gross foreign income, converted to Australian dollars (using the average daily exchange rate over the past 30 days) Copy of Tenant Agreement or Rental Statement will be required if rental income is required for serviceability
Investment Income	<ul style="list-style-type: none"> 60% of nett foreign income, converted to Australian dollars (using the average daily exchange rate over the past 30 days) Must be consistent over the 2 years

Income Verification

PAYG Documentation

- (a) PAYG consumers must provide:
 - (i) 2 most recent consecutive payslips
 - (ii) latest 3 month's bank statements from a financial institution in the name of the employee showing regular salary credits from the employer.
- (b) Where the consumers' income includes casual employment, regular overtime, shift allowances, bonuses or commissions then the most recent financial year ATO income statement or PAYG payment summary will be required to confirm the consumer's annualised income.

Self Employed and Partnership Documentation

- (a) Standard Self Employed or Partnership consumers must provide:
 - (i) latest 2 years business and personal tax returns; and
 - (ii) latest 2 years tax assessment notices or an accountants letter confirming that the latest tax return is the final version held on file and is pending lodgement.
- (b) Basic Self Employed or Partnership consumers who either pay themselves a salary / wage, dividends or Directors fees from their business or receive distributions from their partnerships or trust and do not rely on any other sources of income to afford the loan, such as addbacks, rental income etc. only need to provide the latest two years personal tax assessment notices or personal bank statements providing six months evidence of salary credits.
- (c) Medico Self Employed or Partnership consumers (General Practitioners, Hospital-employed Doctors, Medical Specialists, Dentists, Veterinary Practitioners, Optometrists, Pharmacists, Physiotherapists and Chiropractors) only need to provide the latest tax return and tax assessment notice or an accountants letter confirming that the latest tax return is the final version held on file and is pending lodgement.

Rental Income Documentation

Rental Statements or Real Estate Agent appraisal or Bank Statements;

Evidence of rental income is only required if the rental income is required for servicing.

Serviceability

A servicing test must be completed for all applications

To meet servicing requirements, the NDI ratio must at least 1.00:1.

The DTI calculation is the total of the consumers debt (including the new loan) divided by the total of the consumers gross income. The DTI ratio must be less than 8.00:1

Living Expenses

The following living expense categories must be included in loan applications:

- (i) Housing / rental;
- (ii) Food and Groceries;
- (iii) Clothing / Footwear / Cosmetics etc.;
- (iv) Utilities;
- (v) Transport – public, cars, fuel;
- (vi) Owner Occupied property expenses (rent, strata, utilities, wear and tear);
- (vii) Spouse / Child maintenance;
- (viii) Health and Education (despite being publicly funded there may be additional costs for those who use these services);
- (ix) Communication and connectivity; and
- (x) Other Expenses.

Discretionary Living Expenses

The following discretionary living expense categories must be included in loan applications:

- (i) Education – private school fees, after school activities etc.;
- (ii) Childcare and nannies;
- (iii) Insurances – health, life, income;
- (iv) Investment property expenses (strata, utilities, insurances and costs associated with maintaining the property);¹⁷
- (v) Non-compulsory asset insurance (e.g. motor vehicle and home and contents), especially if maintenance of the asset is important for maintaining the consumer's income;
- (vi) Elective Medical costs (repeat prescriptions, aid and care);
- (vii) Additional superannuation contributions;
- (viii) Recreation – dining out, entertainment and holidays;
- (ix) Communications – internet, telephone, Pay TV;
- (x) Memberships and subscriptions; and
- (xi) Other Expenses.

Serviceability will be based on the higher of the following;

- (xii) Consumers declared living expenses; or
- (xiii) Housing Expenditure Measure (**HEM**) plus Specifically Excluded Expenses.

Allowable Add-backs

- (a) For all consumers, negative gearing on investment properties may be taken into account, where allowed by the ATO, by adding back the interest expense of investment properties if the loan is negatively geared.
- (b) For self-employed consumers, there are some expense items that can be added back to net income for inclusion in debt servicing calculation. These are:
 - (i) directors income/salaries where not already included in servicing calculations;
 - (ii) interest paid on debt being refinanced with proposed application (care to be exercised that interest relates only to debts being refinanced);
 - (iii) business depreciation (not exceeding 20% of business taxable income);
 - (iv) instant asset write-off as allowed from time-to-time by the ATO; and
 - (v) non-recurring expenses.
- (c) Any other expense outside the allowable add-backs described above, are considered unacceptable.

Rental Expenses

- (a) If a consumer is purchasing an investment property and the application advises the consumer/s live with family or friends “*rent free*”, a minimal rental expense of \$150 per week (\$650 per month) must be included as a commitment in the loan servicing calculation per consumer.
- (b) If the consumer is purchasing an investment property and continues to rent themselves, the “*actual*” rental expense noted on the application must be included in the loan servicing calculation with the minimum being \$150 per week included in servicing if a single consumer or higher if more than 1 consumer as per above.

11.8 Credit Card Limits

- (a) Actual minimum monthly repayment or 3.0% of the card limit unless the consumer provides the last 3 months card statements confirming that the monthly balance has been paid in full each month.
- (b) Credit Card, Store Card and Line of Credit limits are required to be included in the loan servicing calculations. If the consumer has provided the last 3 months of card statements confirming that the card balance has been paid in full each month then the monthly commitment to be used in loan servicing calculations will be 1.5% of the limit.
- (c) Charge Cards without a credit limit do not need to be included in the loan servicing calculations if the consumers comprehensive credit report or the last 3 months of card statements provides evidence that the card balance is paid in full each month.
- (d) Interest free / payment free loans normally provided by department stores for household appliances must be included in servicing for new loan as consumer will eventually need to make repayments at the end of the offer period.

Other Commitments

- (a) The minimum monthly repayment of all existing loans, not being paid out, must be included in the servicing calculation. Other commitments include, but not limited to, car loans, personal loans and margin loans.
- (b) Short term buy now pay later loans (e.g., Afterpay) do not need to be included if the loan will be paid in full with 90 days from application approval.

- (c) Personal loan < \$10,000, used to secure land purchase (for future construction loan), does not need to be included as a commitment if the loan will be repaid in full within 90 days from construction loan application approval.
- (d) Interest free/payment free loans normally provided by department stores for household appliances must be included in servicing for new loan as customer will eventually need to make repayments at the end of the offer period.

Credit History

Credit reports must be less than 45 days at time of receipt of loan application

All credit reports showing consumers as directors of a private company/s must provide full 2 years tax returns & financial statements to ensure no losses are being sustained which must be included in servicing calculations if applicable:

Acceptable Enquiries

- (a) Consumers must have a clear credit history.
- (b) Small paid default(s), up to a maximum \$2,000 within the previous 3 year period, may be considered on a case by case basis but will depend upon the merit of the loan application and the explanation provided.

Unacceptable Enquiries

- (i) defaults, paid or unpaid (either consumers or guarantors unless allowed per section 12.3 Acceptable Enquiries);
- (ii) any court judgements and court writs regardless of amount, paid or unpaid;
- (iii) ATO defaults / judgements regardless of amount, paid or unpaid;
- (iv) mortgage / finance default/s regardless of amount, paid or unpaid;
- (v) discharged bankrupts (less than 5 years);
- (vi) receiver / manager appointed;
- (vii) liquidator appointed;
- (viii) clear outs;
- (ix) wind up petitions;
- (x) part X(10) or scheme of arrangement; and
- (xi) more than 6 separate finance enquiries within 12 months (the consumer is to provide an explanation of the excessive number of enquiries if the proposal is to be considered).

Note: Enquiries within a month, to a variety of lenders, for a similar amount, may be treated as one.

Acceptable Residential Property Types

- (a) Standard Residential Property is property that is primarily used for the purpose of private housing. This includes home industry or home office (as defined by the local government authority, for example hairdresser or accountant). This also includes both owner occupier and tenanted properties.
- (b) The acceptable residential property security types include:
 - (i) Houses;
 - (ii) Units;
 - (iii) Flats;
 - (iv) Apartments;
 - (v) Villas;
 - (vi) Duplexes;
 - (vii) Dual Occupancy;

- (viii) Display Homes;
- (ix) Townhouses;
- (x) Rural Residential;
- (xi) Vacant Land (Construction Loans only);
- (xii) Warehouse Conversions; and
- (xiii) House and Land Packages.

Unacceptable Residential Property Types

- (a) The unacceptable residential security types include:
 - (i) Vacant land (until Oxygen has a Construction loan available)
 - (ii) properties with a minimum living area of less than 40 m² (excluding balconies, storage space and parking);
 - (iii) “Time-share” arrangement properties;
 - (iv) Company Title & Company Share Title (VIC);
 - (v) Stratum Title;
 - (vi) Crown Land (except ACT);
 - (vii) Leasehold properties if less than 5 years remaining at the end of the loan term;
 - (viii) Purple Title (WA) or Moiety Title (SA);
 - (ix) properties located outside Australia;
 - (x) flood impacted, land slip, mine subsidence;
 - (xi) backpacker hostels or boarding-houses;
 - (xii) brothels;
 - (xiii) properties with an area in excess of 10 hectares;
 - (xiv) retirement complex units;
 - (xv) transportable homes;
 - (xvi) relocatable homes;
 - (xxviii) properties designed, zoned or used for commercial purposes (excludes residential home units in a commercially zoned development);
 - (xxix) rural zoned properties (unless current use is residential on the valuation report);
 - (xxx) serviced apartments;
 - (xxxi) dual key apartments;
 - (xxxii) studio apartments / bedsitters / bachelor units;

Security Valuations

- (a) We support the following five (5) security property valuation types based on certain criteria;
 - (i) An AVM (**Automated Valuation Model**) ordered via CoreLogic's statistical modelling solution; or
 - (ii) A Desktop or EVR (**Electronic Valuer Review**) valuation performed by a suitably qualified and licensed Valuer; or
 - (iii) An on-premise Short Form valuation;
 - (iv) An on-premise Long Form valuation; and
 - (v) An on-premise Commercial Valuation report.

Automated Valuation Model Valuations (Residential Properties)

- (a) Oxygen will accept an Automated Valuation Model (**AVM**) valuation for Purchases to verify Contract of Sale (**COS**) purchase price under strict Loan Product parameters.
 - (i) Where the LVR exceeds 80% the purchase price stated in the Contract of Sale must not exceed the value of the property produced by the AVM by more than 5% (purchase price minus valuation divided by purchase price).
 - (ii) The value of the property produced by the AVM must have a Forecast Standard Deviation (**FSD**) less than or equal to 15%.
 - (iv) Maximum LVR 90%.
 - (v) Maximum loan size \$1,350,000.
 - (vi) Minimum security property value \$250,000.
 - (vii) Single existing residential dwelling
 - (viii) Not the following; High-Density, Regional and Unclassified postcodes

Loan Variations

- (a) Variations will include but not be limited to:
 - (i) increase on an existing loan;
 - (ii) substitution of security;
 - (iii) additional security with increase in borrowings;
 - (iv) partial discharge;
 - (v) name change (e.g. removal of 1 consumer from joint application and / or adding a new consumer)
 - (vi) increase in loan term
 - (vii) property subdivision, easements and redefinition of boundaries;
 - (viii) Loan Product switch; and
 - (ix) consent to second mortgage.
- (b) All variation requests will be considered on a case by case basis and if there is a change in the risk profile of the loan, a new assessment is required and, if applicable, must obtain approval from the LMI provider.