

Commercial Update.



Banking Code Of Practice

As outlined in our Residential Update to you yesterday, the new 2019 Banking Code of Practice (**BCOP**) comes into effect for applications assessed from 1 July 2019. The BCOP imposes new and improved obligations and requirements on ING and its representatives, which includes you.

As our representative, we expect that all of your dealings with customers, both individual (borrowers and guarantors) and small businesses, will be BCOP compliant. If you are, or become aware of, any breach of the requirements of, and obligations imposed by, the BCOP, you must inform ING immediately. Some of the changes are set out below.

1. Vulnerable Customers

We are committed to taking extra care for customers that are vulnerable. We will treat those customers with sensitivity, respect and compassion. When you become aware that a customer is vulnerable or is in a vulnerable situation, you will be required to inform ING. Alternatively, you can inform the customer to contact ING on 133 464 as we have procedures and trained staff in place to assist them.

Examples of vulnerable customers and vulnerable situations include, but are not limited to:

- a customer experiencing financial abuse;
- a customer experiencing:
 - age related impairment;
 - cognitive impairment;
 - elder abuse;
 - mental illness;
 - serious illness
- a customer facing family or domestic violence; or
- any other personal or financial, circumstance causing significant detriment.

2. Changes to Commercial Loan Terms and Conditions

ING will be making some changes to our Commercial Loan Terms and Conditions. Customers will receive a Notice of Change in the next statement run for the statement period ending 30 June 2019. The updated Terms and Conditions will be effective from 1 July 2019.

The new Terms and Conditions and Notice of Change will be available on the Introducer website under *Commercial Loans>Brochures* from 1 July 2019.

Changes to ING Commercial Credit Policy

We have made some changes to our Commercial Credit Policy. A summary of the changes is outlined below and they are effective from 1 July 2019. These changes apply to commercial loans, not residential loan applications.

1. Guarantor Income

When determining if a third party guarantor or third party income can be used for servicing purposes for a commercial loan, the following key conditions must be met:

- The purpose of the loan must be business related
- The third party guarantor or third party must have a connection to the business
- The borrower is defined as 'small business' under the BCOP

If the above conditions are not met, ING will only include a borrower's income for servicing purposes.

Below are some key facts and definitions from the BCOP to further assist you in determining whether a third party guarantor or third party income can be used for the purpose of servicing.

What is a "small business"?

A business is a "*small business*" if at the time it obtains the banking service all of the following apply:

- (a) it had an annual turnover of less than \$10 million in the previous financial year; and
- (b) it has fewer than 100 full-time equivalent employees; and
- (c) it has less than \$3 million total debt to all credit providers including:
 - (i) any undrawn amounts under existing loans;
 - (ii) any loan being applied for; and
 - (iii) the debt of all its related entities that are businesses.

Furthermore, a borrower is treated as a business if they apply for, or receive, a banking service for a purpose that is wholly or predominantly a trading or commercial purpose, and where the National Credit Code does not apply.

2. Explanation of Beneficial Ownership for Co-Borrowers

When there is an application involving co-borrowers, you will need to establish substantial benefit with respect of the co-borrower. For purchases, ING requires you to establish substantial benefit where a co-borrower proposes to own less than 20% of a security property.

In all cases we will require an explanation of what the substantial benefit is for the co-borrower who wishes to proceed with the application.

A "substantial benefit" includes where:

- (a) the co-borrower acquires a reasonably proportionate legal or equitable interest in assets

purchased with the loan funds; or

(b) a reasonable portion of the loan funds are used to repay any co-borrower debts, or other obligations owed by the co-borrower.

Some examples of substantial benefit are:

(a) a purchase or a refinance of property where the co-borrower's name is on the title;

(b) repayment of debt in both borrowers' names (e.g. all borrowers will repay debts held in their own names);

(c) the co-borrower will run their business from the property being refinanced / purchased.

You must ensure that substantial benefit is clearly established and that you:

(a) have taken reasonable steps to ensure that the co-borrower understands the risks associated with entering into the loan, and understands the difference between being a co-borrower and a guarantor;

(b) have taken into account the reasons why the co-borrower wishes to proceed with the application; and

(c) are satisfied that the co-borrower is not experiencing any financial abuse.

To avoid delays in the assessment of the loan application, please ensure your submission notes clearly outline the substantial benefit of the co-borrower.

3. Reduction to Loan to Value Ratio

We have introduced a new security type classification 'Logistical' and made changes to the acceptable LVRs for the following security types. Please note, these changes are effective for commercial loan applications that have not been **formally approved by Friday, 5 July 2019**.

Logistical property - LVR up to 70%

The properties allow for multiple uses and do not cause any potential limitations to re-letting efforts (internal alterations are possible with minor effort).

Industrial property - reduced from 75% to 60%

These property types are usually tailor-made, purpose built structures. For example a manufacturer or refrigerated warehouse.

Please note, the LVR for other security types, such as retail shops, remains unchanged.

Want to find out more or talk about a commercial loan?

Get in touch with your ING Representative, they can help you with your submissions, workshopping deals or scenarios.

[Contact us](#)

To learn more



Visit introducer.ing.com.au



Call 1300 656 226



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The comparison rate is based on a loan amount of \$150,000 over a loan term of 25 years. WARNING: This comparison rate is true only for the examples given and may not include all fees and charges. Different terms, fees or other loan amounts might result in a different comparison rate. ING is a business name of ING Bank (Australia) Limited, ABN 24 000 893 292 Australian Credit Licence 229823. You received this email as you provided ING with your email address. However, if you do not wish to receive further email communications from ING please send an email to reply@eccoms.ing.com.au with "Unsubscribe" in the subject line or call 1300 656 226.

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