Guarantor Guide

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A guarantor is someone who agrees to be responsible for repaying a debt owed to the Bank under a loan provided to another individual or business, if the borrower(s) can't make their repayments. A guarantor supports the loan by providing us with additional security such as a property they own. By providing a guarantee, we may lend to the borrower in situations where they may not have been able to secure the full amount on their own.

If you're thinking about becoming a guarantor, it's important to understand it involves considerable financial risk. This guide outlines important information and risks to consider before making your decision. It explains, in general terms, what it means to be a guarantor and what you're promising to do by signing up to become one.

Any advice or information provided in this document is general advice only, and does not take into account your personal objectives, financial situation or needs. Before acting on any general advice you should consider its appropriateness given your personal circumstances. You should consider the terms and conditions of a product before acting on any advice to acquire it. Please consult with a financial adviser for personal financial advice.

Customer Owned Banking Code of Practice

We commit to complying with the Customer Owned Banking Code of Practice as varied from time to time.

The Customer Owned Banking Code of Practice, the code of practice for customer owned financial institutions, is an important public expression of the value we place on improving the financial wellbeing of our individual members and their communities.

Customer owned banking delivers member-focused, competitive services. Mutual banks, credit unions and mutual building societies are customer owned financial institutions committed to putting their members first.

The Customer Owned Banking Code of Practice will apply if you are an individual or small business.

You may obtain a copy of the Customer Owned Banking Code of Practice on request or download a copy from our website.

National Credit Code

If you're an individual who has signed (or is considering signing) a guarantee to support an individual to secure credit (including a loan) for wholly or predominantly non-business purposes, the National Credit Code might also apply to you and could give you additional rights.

Guarantor Support

There are different types of guarantors, each with their own advantages and disadvantages, which should be carefully considered before making a decision.

Personal borrower(s)	
Individual or parental guarantor	Individual or a parent guarantor home loan is where an individual or parent/s act as guarantor/s. This type of support is usually security support.
Non-personal borrower(s)	
Company and/or trusts (where at least one borrower is a non-trading company or a company as a trustee for a trust where the beneficiaries are individuals).	
Sole director guarantor	is a director of a company that has only one director, and that company is to be the borrower for the loan.
Trustee guarantor	is when the guarantor and the borrower are the same person acting as trustee of a trust in one role and acting in their personal capacity in the other role.
Director guarantor	is a director of a company which is to be the borrower for the loan.
Where a company borrower is involved in an application, guarantees are required from all company directors, as well as shareholders (where applicable) Director(s) will execute all loan documents on behalf of the company and/or trust. The liability of a director guarantor is equal to the full loan amount.	

How it works

As a guarantor you could use your home's equity or a Unity Bank or G&C Mutual Bank Term Deposit to guarantee part of a family member's loan. There's no cash to pay and you choose the amount, up to a prescribed limit of the guaranteed property value. Where the guarantee is for a non-personal borrower, the prescribed limit does not apply.

A guarantor can be utilised to help avoid paying Lenders Mortgage Insurance, with borrowers or guarantors able to later request the release of the guarantee, once conditions are met.

A guarantor must have a good credit score, have equity in the property to use as security, and a stable income. In other words, we must deem the guarantor a safe risk when assessing the borrower's application.

Things to consider before you sign the guarantee

Financial Impact

Acting as guarantor for a borrower means you agree to repay the home loan if the borrower can't meet the repayment terms and conditions of their loan contract. If we need to seek any security you've provided in support of the guarantee, you could lose your property and/or suffer other serious financial losses.

It's important to note:

- When security support (only) is provided, we will assess the loan application based on the borrower's financial information.
- When it's a non-personal borrower we will assess the loan application based on the non-personal borrower and individual director(s) or trustees' financial information.
- You can limit the amount you are liable under the guarantee by giving written notice to your Lending Specialist. We must accept your request provided your requested limit covers:
  - the borrower's existing liability (plus any interest, fees or charges that have accrued in respect of that liability),
  - any further advances we are obliged to make to the borrower, and
  - any amounts we need to spend to preserve the current value of security we hold for the borrower's loan.
- You can withdraw from the guarantee by giving reasonable written notice to your Lending Specialist before we provide credit under the guaranteed loan.
- You can be released from the guarantee when your guarantee is no longer required by us. This could occur when the guaranteed amount is paid off by the borrower(s) and the loan amount is reduced.
- Alternatively, you can extinguish your liability to us under a guarantee by:
  - paying the outstanding liability of the borrower (including any future or contingent liability),
  - paying any lesser amount that your liability is limited to by the terms of the guarantee, or
  - making other arrangements satisfactory to us for the release of the guarantee

Your credit report may also be negatively affected.

Limit Financial Obligations

The guarantee may cover all or specific loans that we give the borrower, depending on the type of guarantee. The guarantee will set out the maximum amount you may have to pay, which can be:

- the amount of any dollar limit described in the guarantee plus other things covered by the guarantee, such as interest, expenses and recovery costs,
- a specific category of amounts, such as the amount owing under a specified loan, or
- the value of a specified property or other assets under a specified mortgage or other security at the time of recovery.

There's a chance we may lend the borrower more money later on, either under the original loan or a new one. This may be covered by the guarantee too.

If the guarantee covers a business loan, then you'll also be giving us an indemnity. This is an additional promise you make to pay us for loss we suffer in connection with the guarantee.

If your guarantee is limited to a dollar amount, an increase in the guaranteed loan amount, or an indemnity, will not change the maximum amount you may have to pay unless you agree.

Even if you don't provide any security for your guarantee, you still risk losing your home. We may take legal action against you if you owe us money under the guarantee. That could lead to the sale of your home, or any other property you own.

Risks

To become a guarantor, you need to sign a guarantee – a legal contract in which you agree to repay the loan if the borrower can't meet the repayment terms and conditions of their loan contract. If the borrower is unable to repay their home loan, we will first seek to recover the debt from the borrower, before we seek any security you have provided in support of your guarantee, unless we reasonably expect that after doing so, a substantial amount would still be owing.

We will not enforce a judgement against you under a guarantee unless:

- we have first enforced any mortgage or other security provided by the borrower, and
- we have obtained judgement against the borrower, and the judgement debt remains unpaid 30 days after we demand payment from the borrower in writing.

The above does not apply if:

- the borrower is a small business,
- we have made reasonable attempts to locate the borrower without success, or
- the borrower is insolvent.

Seek independent advice

Choosing to act as guarantor can be a major commitment. Even after you've read this Guarantor Guide and the Guarantor Information Statement, we strongly recommend you seek independent legal and financial advice to understand your obligations, risks and potential impacts on your financial situation before you make this commitment.

Things to expect before we take a guarantee from you

Before we can accept a guarantee from you, there are a few key steps in the process:

	We will ask you to sign and return some preliminary forms to verify your identity and agree to our Privacy Policy. Any personal information that you have provided us may be used to help us assess your credit worthiness.

	We will give you some important information about the borrower and the loan they're applying for, which may affect your decision to give the guarantee. Before you sign the guarantee, you should be provided with: ▪ a copy of the Guarantor Information Statement; ▪ a copy of the credit contract or proposed credit contract; ▪ a copy of the credit report from a credit reporting agency; ▪ any relevant credit-related insurance contract we have in our possession; ▪ any financial accounts or statement of financial position the borrower has given us in the previous two years for the purposes of the credit to be guaranteed; ▪ any other information that you reasonably request, other than our internal notes and assessments. In addition, we will provide you with any other information that we have and, in our reasonable view, a careful and prudent prospective guarantor might wish to consider regarding: ▪ the financial position of the borrower (for example, we will tell you if any existing loan to the borrower will be cancelled if the guarantee is not provided), and ▪ any notice of demand we have made on the borrower within the previous two years; ▪ if you ask us, a valuation of any commercial or agricultural real property provided as security by you or the borrower, where you or the borrower have paid or reimbursed us for that valuation – but only if the valuer agrees that we can give you a copy and you agree to any conditions that the valuer asks you to agree to. Please also note that, if you're becoming a director guarantor you can receive the same information and have the same time as any other guarantor or you can choose not to receive it. It is important information that may affect your decision to be a guarantor. We won't influence your choice to receive, or not receive, that information.
	We will remind you that: ▪ you can refuse to enter in the guarantee, ▪ there are financial risks involved, ▪ if applicable, the guarantee might cover future credit facilities and variations of the existing loan with your written consent, ▪ if you receive a Commonwealth pension, acting as a guarantor may affect your pension entitlement, ▪ you have a right to limit your liability in accordance with the Customer Owned Banking Code of Practice and as allowed by law, ▪ you should consider the information and documents we provide to you, and you can request further information or clarification if required, and ▪ you should seek independent legal and financial advice on the effect of the guarantee (in some circumstances, we may require that you obtain such advice as a condition of accepting your guarantee).

Next, we will send you the guarantee so you can read it and get advice about it. We will ask that you take at least **three calendar days** to review the information and consider if you want to provide a guarantee. However, we can accept the guarantee earlier if you:

- have obtained independent legal advice about it, or
- are becoming a sole director guarantor or a trustee guarantor.

If you chose to provide a guarantee, we will ask you to:

- Complete the Supplementary Information Form
- Sign the Guarantee and Personal Property Security Agreement

The guarantee will need to be signed before a qualified witness and the borrower or co-guarantor must not be with you.

After you sign the guarantee

You can ask us at any time for a statement of the amount the borrower(s) currently owes, any amounts debited or credited, overdue amounts and when they became overdue. This information will be given to you verbally unless you ask for it in writing.

We will also give you the following information about a borrower's deteriorating financial situation as it relates to the loan you guarantee, within 14 days of the relevant event:

- A copy of any formal demand or default notice we have sent to the borrower,
- A written notice if the borrower has advised us that they are experiencing financial difficulty which has resulted in a change to their loan, and
- A written notice if the borrower is in continuing default for more than two months after the issuance of the default notice referred to above.

If you ask us, we will give you within 14 days:

- A copy of the latest account statement (if any) provided to the borrower, and
- A further copy of anything we have previously given to you, other than information provided in the last 3 months.

This doesn't apply if you're a sole director guarantor or a trustee guarantor.

Making a Complaint

How do you make a complaint?

We're here to help. If you have any issues, suspect an error, or have any concerns about your accounts, we genuinely want to help resolve them. You can make a complaint over the phone, in writing or in person at one of our Service Centres, by using the details listed below.

In order for us to assist, you will need to let us know your customer details (such as your full name and member number), contact details, information relating to your complaint and your desired outcome when making the complaint.

In writing

Email at deceased@unitybank.com.au OR deceasedestates@gcmutual.bank

Mail to Unity Bank at:
PO Box K237 Haymarket
NSW 1240
OR

Mail to G&C Mtual Bank at:
PO Box A253, Sydney
South NSW 1235

By phone

Unity Bank:
1300 36 2000

G&C Mutual Bank:
1300 364 400

For Overseas:
Unity Bank:
+61 2 8263 2300

G&C Mutual Bank:
+61 2 9307 5400

In person

Visit us at your local Service Centre

How will we respond to complaints?

Our aim is to acknowledge your complaint within 2 business days and resolve your complaint at first contact, if possible.

Resolve your complaint within 5 working days. If this isn't possible or for more complex complaints, this may take up to 30 days. If we can't meet these timeframes, we will explain why and provide an expected date for the outcome of your complaint.

Investigate your complaint. We'll assess the information we have and investigate the issues. The possible resolutions available to you will depend on the nature of your complaint. We will keep you informed of progress.

Make a decision about your complaint. We'll write to you to explain our decision.

If you are not satisfied with our response, or how we have handled your complaint, you can contact the Australian Financial Complaints Authority (AFCA) or Office of the Australian Information Commissioner (OAIC) with contact details noted below.

Australian Financial Complaints Authority (AFCA)

AFCA provides fair and independent financial services complaint resolution that is free to consumers.

Website: www.afca.org.au

Email: info@afca.org.au

Phone: 1800 931 678 (free call)

Mail: GPO Box 3, Melbourne VIC 3001

Note: Time limits may apply to complain to AFCA, so you should act promptly or otherwise consult their website to find out if or when the time limit relevant to your circumstances expires.

Office of the Australian Information Commissioner (OAIC)

OAIC acts as an impartial third party when investigating and resolving a complaint in relation to the handling of your CDR data. You can contact the OAIC on:

Website: www.oaic.gov.au

Email: enquiries@oaic.gov.au

Phone: 1300 363 992

Mail: GPO Box 5218, Sydney NSW 2001

Frequently Asked Questions

What is the difference between a joint borrower and a guarantor?

A joint borrower (co-borrower) is someone who chooses to borrow money with another individual or business. A joint borrower is responsible for regular repayments on their home loan and repaying the loan in the event of a default.

A guarantor provides a guarantee, which is a promise to pay the borrower's debt if they are unable to do so. A guarantor will only become liable for the amount they have guaranteed, which could be the full amount of the home loan along with interest and fees.

What are some of the factors we consider when deciding to accept the guarantee?

The main consideration with guarantor home loans is that they must be provided by someone who has a strong relationship with the borrower(s), which generally means immediate family members such as parents, siblings, grandparents, spouses or de facto partners.

It is not the case that just anyone can act as a guarantor. One of the guarantor home loan requirements stipulates that there must be a link between the guarantor and the borrower(s), and there must also be a financial benefit for the party offering the guarantee.

There are a number of considerations for guarantor home loan requirements that we will take into account, these include:

- Age
- Whether their property is in Australia
- If there is sufficient equity
- Whether they are currently employed

A guarantor also needs to be of sound mind and will need to seek both legal and financial advice before making the decision to act as a mortgage guarantor.

Will becoming a guarantor affect my future borrowing capacity?

When you apply for credit, you might need to tell the credit provider about any loans you are a guarantor on. This can affect your borrowing capacity, especially if you want to borrow against the property you have provided as security.

Will becoming a guarantor affect my ability to sell a property I've offered as security?

If you decide to sell the property, then the additional security is required to be removed from the loan. This could mean that the borrower(s) might need to pay Lenders Mortgage Insurance (LMI) or come up with the funds to avoid the need to pay LMI. Due to the reduction in security on the loan, the loan amount might be more than how much we are willing to lend to the borrower(s), even with LMI. In this case, the request to release your property as security might be declined. A cash contribution might be requested to reduce the loan down to an acceptable maximum, or we might ask for another guarantee to be put in place.

In any event, it can be complicated and costly to remove the guarantee if you want to sell, so you should factor this in before agreeing to the guarantee.

What information can I ask for during the life of the loan?

You can ask us at any time for a statement of the amount the borrower(s) currently owes, any amounts debited or credited, overdue amounts and when they became overdue. This information will be given to you verbally unless you ask for it in writing.

What if I change my mind or no longer wish to be a guarantor once the loan is funded?

You must contact us as soon as possible to discuss your options.

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