

Pepper Money Commercial Lending Product Guide

Effective date: 4 June 2024



pepper
money

Pepper Money

Commercial Lending

For small business owners and investors purchasing or refinancing commercial property.



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Pepper PRIME Commercial

Product Specifications

	Full Doc	Alt Doc
Loan Purpose	Purchase or refinance of commercial properties	
Minimum Loan Size	\$100,000	
Maximum Loan Size	\$5,000,000**	
Maximum LVR	Up to 80%^ for all loan purposes (inclusive of fees)	Up to 80%^ for all loan purposes (inclusive of fees)
Credit History	One paid default up to \$500 (Consumer) and \$1,000 (Commercial) may be considered	
Cash Out	Unlimited*	
Debt Consolidation	Debt consolidation (maximum of 4 debts)	
Income Documentation (PAYG)	Last 2 payslips <u>plus one</u> of the following: <ul style="list-style-type: none"> • Letter of employment • Latest PAYG Payment Summary • Notice of assessment • 3 months bank statements 	
Income Documentation (Self-Employed)	<ul style="list-style-type: none"> • Last 2 years tax returns; • Last 2 years notice of assessments; • Last 2 years Financial Statements • Copy of current lease documentation (where applicable) 	<ul style="list-style-type: none"> • ABN Registered for 24 months; • GST registered for 12 months; • Declaration of financial position plus <u>one</u> of the following: <ul style="list-style-type: none"> - 6 months business bank statements (inclusive of the last 1 month); - 6 months BAS; - Pepper Money accountant's letter (not accepted on loan sizes > \$3,000,000) - Copy of current lease documentation (where applicable)
Acceptable Securities^^	<ul style="list-style-type: none"> • Commercial Securities for categories 1 and 2 nationwide;¹ • Commercial securities in category 3 locations - NSW/ACT/VIC/QLD/TAS;¹ • Residential securities in categories 1-3;¹ • Vacant Industrial / Commercial Land (Hardstand) 	<ul style="list-style-type: none"> • Commercial Securities for categories 1 and 2 nationwide;¹ • Commercial securities in category 3 locations - NSW/ACT/VIC/QLD/TAS;¹ • Residential securities in categories 1-3;¹ • Vacant Industrial / Commercial Land (Hardstand)

Product Features

Loan Term	Up to 30 years (Refer to Additional Lending Policies)
Repayment Options	<ul style="list-style-type: none"> • Principal and Interest: OR • Interest Only (maximum 5 years followed by Principal and Interest)
Redraw	<ul style="list-style-type: none"> • Minimum manual redraw amount is \$1,000; • Minimum online redraw is \$50
Offset Sub-Account	100% Interest Offset Sub-Account available ³
Account Splits	Maximum of four splits (including 100% interest offset sub-account split)
Lump Sum Payments	Free additional payments are allowed if funded on a variable rate.
Transaction Facilities	<ul style="list-style-type: none"> • Online • Telephone • Redraw facility • BPAY

* Cash out for working capital not an acceptable purpose on Alt Doc loans

^ Subject to security type. See Acceptable Securities on page 6.

** Maximum \$3,000,000 for residential securities

^^ CAT 3 location in NSW/VIC/QLD/TAS/ACT only



Pepper NEAR PRIME Commercial

Product Specifications

	Full Doc	Alt Doc
Loan Purpose	Purchase or refinance of commercial properties	
Minimum Loan Size	\$100,000	
Maximum Loan Size	\$4,000,000*	
Maximum LVR	Up to 80%^ for all loan purposes (inclusive of fees)	Up to 80%^ for all loan purposes (inclusive of fees)
Credit History	<ul style="list-style-type: none"> • Unlimited defaults, judgements and writs up to \$1,000 accepted (paid or unpaid), • Unlimited defaults, judgements and writs > \$1,000, listed > 24 months (paid or unpaid) accepted, • Up to 3 months non-mortgage arrears (within the last 3 months) • Discharged from bankruptcy (> 24 months) accepted. 	
Cash Out	Unlimited	
Debt Consolidation	Unlimited number of debts.	
Income Documentation (PAYG)	Last 2 payslips <u>plus one</u> of the following: <ul style="list-style-type: none"> • Letter of employment • Latest PAYG Payment Summary • Notice of assessment • 3 months bank statements 	
Income Documentation (Self-Employed)	One year income verification available. See additional lending policies, or <ul style="list-style-type: none"> • Last 2 years tax returns; • Last 2 years notice of assessments; and • Last 2 years Financial Statements • Copy of current lease documentation (where applicable) 	
Acceptable Securities	<ul style="list-style-type: none"> • Commercial Securities for categories 1 and 2 nationwide;¹ • Commercial securities in category 3 locations - NSW/ACT/VIC/QLD/TAS;¹ • Residential securities in categories 1-3;¹ • Vacant Industrial / Commercial Land (Hardstand) 	

Product Features

Loan Term	Up to 30 years (Refer to Additional Lending Policies)	
Repayment Options	<ul style="list-style-type: none"> • Principal and Interest: OR • Interest Only² (maximum 5 years followed by Principal and Interest) 	
Redraw	<ul style="list-style-type: none"> • Minimum manual redraw amount is \$1,000; • Minimum online redraw is \$50 	
Offset Sub-Account	100% Interest Offset Sub-Account available ³	
Account Splits	Maximum of four splits (including 100% interest offset sub-account split)	
Lump Sum Payments	Free additional payments are allowed if funded on a variable rate.	
Transaction Facilities	<ul style="list-style-type: none"> • Online • Redraw facility 	<ul style="list-style-type: none"> • Telephone • BPAY

¹ Subject to security type. See Acceptable Securities on page 19.

* Maximum \$3,000,000 for residential securities

Product Comparison

	Pepper PRIME Commercial		Pepper NEAR PRIME Commercial	
	Full Doc	Alt Doc	Full Doc	Alt Doc
Max LVR	Up to 80%	Up to 80%	Up to 80%	Up to 80%
Loan Term	up to 30 years		up to 30 years	
Interest Only	Maximum 5 years		Maximum 5 years	
Income Documentation (PAYG)	Last 2 payslips <u>plus one</u> supporting document	⊗	Last 2 payslips <u>plus one</u> supporting document	⊗
Income Documentation (Self-Employed)	<ul style="list-style-type: none"> Last 2 years tax returns; Last 2 years notice of assessments; and Last 2 years Financial Statements 	<ul style="list-style-type: none"> ABN Registered for 24 months; GST registered for 12 months; Declaration of financial position <u>plus one</u> supporting document 	<ul style="list-style-type: none"> 1 year tax return verification also available. See additional lending policies, or Last 2 years tax returns; Last 2 years notice of assessments; and Last 2 years Financial Statements 	<ul style="list-style-type: none"> ABN Registered for 24 months; GST registered for 12 months; Declaration of financial position <u>plus one</u> supporting document
Impairment up to \$1,000 (defaults, judgements and writs)	One paid default up to \$500 (Consumer) and \$1,000 (Commercial) may be considered		✓	
Impairment > 24 months (defaults, judgements and writs)	⊗		✓	
Mortgage Arrears	⊗		⊗	
Non-mortgage Arrears	⊗		✓	
Cash Out	Unlimited			

^ Subject to security type. See Acceptable Securities on page 18.

Loan size limits

LVR	Pepper PRIME Commercial		Pepper NEAR PRIME Commercial	
	Full Doc	Alt Doc	Full Doc	Alt Doc
Up to 50%	\$5.0m	\$4.0m* \$3.5m**	\$4.0m	\$4.0m* \$3.0m**
>50% - 60%	\$4.5m	\$4.0m* \$3.0m**	\$4.0m* \$3.5m**	\$4.0m* \$2.0m**
>60% - 65%	\$4.5m	\$4.0m* \$3.0m**	\$4.0m* \$3.5m**	\$4.0m* \$2.0m**
>65% - 70%	\$4.0m* \$3.5m**	\$3.0m* \$2.0m**	\$4.0m* \$2.5m*	\$3.0m* \$1.5m**
>70% - 75%	\$3.0m* \$2.5m**	\$2.0m* \$1.25m**	\$3.0m* \$2.0m**	\$2.0m*
>75% - 80%	\$2.0m*	\$2.0m*	\$2.0m*	\$2.0*
>80% - 85%^	\$1.0m	\$1.0m	\$1.0m	\$1.0m

*Metro

**Non Metro

^ Up to 85% LVR for residential securities, available on request. Refer to your Pepper Money BDM for more information.

Maximum loan limit is \$3,000,000 for residential securities

Securities

Acceptable Securities

Security Type	Maximum LVR
Residential (single security)	80%
Residential ≤3 dwellings (on one title)	80%
Residential >3 dwellings (on one title)	80%
Industrial Units/Warehouses/Factories	80% Full Doc 75% Alt Doc
Mixed Residential & Commercial Use	80% Full Doc 70% Alt Doc
Medical Suites	80%
Permitted Residential Residual Stock (see additional lending policy)	75%
Retail/Shop Front	80%
Strata Office & Office Showrooms	80%
Vacant Industrial land (Hardstand)	65%
Boarding houses	70% Full Doc 65% Alt Doc
Child Care Centres	65%
Student Accommodation	70%
NDIS* (High Care)	55%
NDIS* (Non High Care)	70%

Unacceptable Securities

Development Sites, Rural Properties, Motels, Hostels/ Backpackers, Construction Projects, Places of Worship, Private Hospitals, Retirements Villages, Resorts/Theme Parks, Recreation Complexes, Marinas, Brothels, Casino/Clubs, Caravan Parks, Vineyards, Display Homes[^], Petrol Stations, Properties registered under the National Rental Affordability Scheme (NRAS), Abattoirs, Contaminated land sites, Farms, Hotels/Clubs.

Property Development

Pepper does not consider applications for the purpose of constructing property space.

Pepper will not consider applications for the purposes of funding developers' residual stock.

*Maximum loan amount for NDIS is \$2,000,000.00

[^]Display Homes acceptable if not in a Display Village

Servicing and additional Lending Policies

Acceptable Employment & Income

Employment Type	Income Definition
Self-Employed	Minimum self-employed period of 24 months
Full or Part-Time or Contract (PAYG)	<ul style="list-style-type: none"> Minimum 12 months continuous employment within same industry, or Minimum 6 months employment with current employer

Acceptable Income - PAYG

Employment Type	Income Definition	Allowance
Full or Part-Time	Base salary, allowances and shift penalties	100%
Second Job, Casual	PRIME and NEAR PRIME Minimum 12 months continuous service with current employer	100%
Commission/bonuses (paid at least quarterly) and Overtime	<p>PRIME</p> <ul style="list-style-type: none"> Commission and Bonus - 100% if confirmed as received for the last 2 years from current employer. The average of the last 2 years is to be used in the servicing assessment Overtime - 100% if a condition of a borrowers employment, 50% if confirmed as being regular for 6 months from the same employer <p>NEAR PRIME</p> <p>Only 12 months continuous employment will be considered</p>	100%
Superannuation	Pension or annuities income	100%
Rental Income (Residential)	Rental income to be received post settlement	80%
Rental Income (Commercial Security)	Rental income after all outgoings to be received post settlement	100%
Housing Allowance	Allowance provided by employer or government bodies (not accepted on PRIME)	100%
Interest and Dividends*	Income from cash deposits held or share portfolio. 2 years consistency required and capital gains on sale of assets is not acceptable	100%
Forms of Guaranteed Income	Inheritance and trust beneficiaries etc (NEAR PRIME only)	100%
Fully Maintained Company Car	Maximum of \$5,000 can be added to the Gross Taxable Income	Up to \$5,000
Car Allowance	Allowed provided it is a permanent part of income and is applied to car loan or lease payments. A letter from the employer stating the condition of the allowance is required for verification	100% to shortfall car loan or lease payments

Servicing-Non Regulated Loans Debt Service Coverage Ratio (DSCR)

Full Doc / Alt Doc

1.00

Pepper will assess all non-regulated loans at the actual interest rate at time of application plus 2.0%.

Servicing-Regulated Loans

Pepper will assess all loans secured by residential property as regulated, and as such, will be serviced at a benchmark rate of 5.50% or 2.00% above the applicable rate, whichever is the higher. A minimum NSR of 1.00 is required on all regulated loans. Refer to Pepper's serviceability calculator at www.pepper.com.au/broker/

Lending Areas (Based on postcode listing):

- Category 1 & Category 2 Maximum LVR 80%
- Category 3 Maximum LVR 60% and Maximum Loan \$750,000 NSW/VIC/QLD/ACT/TAS

Responsible Lending

Pepper is committed to responsible lending. We recognise the importance of working with our valued distribution partners to ensure we all play our part in conducting business in an ethical and responsible manner.

Where the product is regulated the introducer is expected to:

- ensure compliance with the National Consumer Credit Protection Act and associated regulations, as well as guidance published by ASIC and the Australian Financial Complaints Authority (AFCA);
- seek and verify information about the customer's requirements and objectives and financial situation; and
- not recommend a loan that are not unsuitable for a customer.

To find out more about Pepper's approach to responsible lending visit www.pepper.com.au/responsible-lending

Additional Lending Policies

All mortgage applications must clearly demonstrate a financial benefit to the applicant(s).

Pepper Money Will Lend To: Private partnerships, individuals, companies, trustees (maximum 6 borrowers).

Non-Conforming and Private or Solicitor Loans: Will refinance non-conforming, private and solicitor loans.

Maximum Exposure Limits: The maximum exposure per applicant is \$7,000,000

Security Titles Considered: Torrens, community, crown lease

Annual Reviews: Pepper reserves the right to review non regulated facilities with:

Loan sizes > \$3.0M

IO Loans > \$1m and >70% LVR

Personal Bank Statements:

Applicants' last three months personal bank statements may be needed at credit assessors discretion for positive confirmation of their declared living expenses.

Loan Statements:

- Loan statements are not required where the loan Repayment History Information (RHI) can be verified on the Applicant's credit file obtained by Pepper Money. In such cases proof of balance and payment details may still be required prior to settlement.

Where the RHI is not available, then the following is required:

- 6 months mortgage statements required on any owner occupied or investment loan being refinanced.
- 12 months mortgage statements required on refinancing of non-conforming loans.
- Most recent statement (or last 3 months statements for Prime loans) for consumer debts (credit cards, personal loans) being refinanced.

Current Lease Agreement: Supporting documentation for any rental income (inclusive of all outgoings)

Loan Term: The minimum loan term is 1 year and the maximum loan term is 30 years. When formulating the term provided to the borrowers, Pepper will take into consideration the property quality, likely reletting periods and the remaining lease lengths for CRE securities. A proposed loan term should align to the weighted average unexpired lease term where an application is highly reliant on rental (lease) income.

Weighted Average Unexpired Lease Term	=	Tenant 1 income % of building x remaining lease term	+
		Tenant 2 income % of building x remaining lease term	+
		Tenant 3 income % of building x remaining lease term	+
		Tenant 4 income % of building x remaining lease term	+

Residential Residual Stock

Acceptable residential residual stock if the security:

- Is a category 1 location
- Contains less than 10 units
- Development was completed at least 2 years before the application.
- Valued in a one line basis

Meets max LVR caps:

- LVR doesn't exceed 60% (on a valued in one line basis) if the applicant owns between >80% to 100% stock in development over 4 units
- LVR doesn't exceed 70% (on a valued in one line basis) if the applicant owns between <=80% stock in development over 4 units
- LVR doesn't exceed 75% (on a valued in one line basis) if the applicant owns 100% of the development with less than or equal to 4 units
- LVR doesn't exceed 75% (on a valued in one line basis) in all other cases

Size of development	% of Units owned within development by applicant	Max LVR
Over 4 units	>80 -100%	60%
Over 4 units	≤80%	70%
Up to 4 units	Up to 100%	75%

Unacceptable residential residual stock if:

- The applicant(s) is the developer owning more than two units of the proposed security; and acquires land to undertake construction to improve the asset and is looking to sell these properties for profit.
- Proposed security is in a high density location.

One Year Tax Returns verification (Commercial loans)

If the Applicant(s) is self-employed and the product is Near Prime, the customer has no adverse credit listings and the loan amount is no greater than \$1,000,000, they are required to provide:

- Most recent year lodged Tax Returns
- Most recent year Notice of Assessments; and
- Most recent year Financial Statements prepared by borrower's Accountant*
- Most recent quarter BAS if the financials submitted are greater than 6 months old at the time of application
- Copy of current lease documentation (where applicable)

All financials must only contain a single years results.

*Registered with CPA, CCA or NIA

Additional Notes

- ¹ Refer to Pepper's Postcode Search in Tools section on www.pepper.com.au/broker/ for category lending limits
- ² Additional terms and conditions apply to Interest Only loans which are set out in the customer's loan agreement. Principal and Interest repayments are calculated on the residual loan term
- ³ The terms and conditions applicable to Offset Sub-Accounts are set out in the customer's loan agreement

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