



ME – COVID-19 response measures

Frequently Asked Questions

COVID-19 Frequently Asked Questions (FAQs)

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1 Introduction

PLEASE READ THE IMPORTANT NOTICES BELOW BEFORE PROCEEDING.

The COVID-19 pandemic is unprecedented, and ME is focussed to work closely with all our stakeholders during this difficult time. Our aim is to provide support to customers when they need it most. To this effect, ME has a range of customer support measures available to COVID-19 impacted customers.

Key customer support measures for home loan customers are listed below:

- Borrowers experiencing financial difficulty will be able to pause their home loan repayments for up to 6 months, with a further 4-month extension possible following assessment. All repayment deferrals must end ultimately by 31 March 2021.
- ME made the following home loan pricing changes in March 2020 to reflect the changing lending environment:
 - 0.25% reduction to variable rates for existing customers effective 26th March 2020
 - 0.25% reduction to variable rates for new customers effective 26th March 2020
 - A range of new fixed rates for owner occupiers (for new and existing customers) effective 26th March 2020.
- Since March 2020 ME has made changes to a range of fixed and variable rate price-points to manage new business growth in the current environment. This includes the following changes:
 - Reduced fixed rates for Owner Occupiers (Aug 2020) and Investors (July 2020) for new and existing customers
 - Repositioned variable rates on our Basic Home Loan (Aug 2020) for new owner occupier customers.
 - Reduction of variable rates for existing customers with 0.15% effective 26th November 2020 (or, in relation to two legacy products, 15 December 2020).
- Following a repayment pause, a customer can, based on its circumstances:
 - resume payments
 - request a payment arrangement, which can include a loan restructure to:
 - switch to interest only for up to one (1) year
 - extend the loan term, if total loan term (including extension) does not exceed 30 years;
 - refinance internally
 - consolidate debts (by Top Up), if the customer has multiple facilities with ME (this only applies to a limited subset of customers), or
 - request Financial Hardship Assistance.

The purpose of the FAQs is to provide information about changes made to our origination, servicing, collection and reporting policies & procedures in response to COVID-19 and its broader social and economic impact.

This document is general in nature, provided for information purposes only and is not intended to be exhaustive. It is made available on a confidential basis. Before making any investment decision or otherwise acting upon information contained or referred to in the FAQs, you should seek independent financial, tax, legal, investment and accounting advice, and any further advice your personal circumstances may require.

These FAQs are subject to further internal review and updates. Further customer support measures may be introduced from time to time, and our policies & procedures may be updated to reflect these. Please visit ME's investor website ([link](#)) or contact the Investor Relations team on investorreporting@mebank.com.au to obtain a copy of the most recent version of this document.

We also refer to the COVID-19 support information made available to our customers on <https://www.mebank.com.au/support/coronavirus-information/>.

2 Origination & Servicing

2.1 Has ME made any changes to home loan origination process in response to current economic conditions due to COVID-19?

In response to recent developments in the broader economy due to COVID-19, ME has introduced the following policy and process changes:

- Credit Policy Home Loan has been updated. Changes include, without limitation:
 - Treatment of assessment from applicants holding the following occupations:
 - Nurses & Medical/healthcare professionals
 - Teachers
 - Ambulance Officers, Fire Fighters and Police OfficersApplications from persons in those occupations will be considered if the occupation is held for more than 3 months in the current job, and a copy of the employment contract is provided. Any other occupation types are required to have had 6 months in current job, OR 12 months continuous employment in the same field / line of work.
 - Changes to income shading for Penalty Payments or staff allowances and Commission to 80%, and Bonus and Investment income to 60%;
 - Added an additional step for verification of income; and
 - JobKeeper payments are accepted as an eligible income source based on lowest foreseeable rate. Where pre COVID-19 income is lower than JobKeeper, pre COVID-19 income must be used; and
 - Reduction to the maximum cash out allowed before requiring additional documentation to confirm purpose of funds.
- Credit Policy Arrears and Hardship has been updated to include Payment Arrangements that can be offered to customers following a payment deferral, and includes an overview of applicable requirements. If a customer is unable to resume payments, but does not require Financial Hardship Assistance, a customer could request a Payment Arrangement which can include a loan restructure to:
 - switch to interest only for up to one (1) year;
 - extend the loan term, if total loan term (including extension) does not exceed 30 years;
 - refinance internally; or
 - consolidate debts (by Top Up), if the customer has multiple facilities with ME (this only applies to a limited subset of customers).

ME reviews its home loan origination policy and arrears policy on an ongoing basis to ensure settings are appropriate relative to the bank's risk appetite and broader market considerations such as economic conditions, competitor activity and consumer trends.

In addition, ME Bank is implementing use of the online platform "KWIL". KWIL will enable the electronic delivery, execution and return of customer loan documents (other than guarantees). It will further enable electronic execution of mortgages for states and territories that have passed enabling legislation to support this. Currently, these include New South Wales, Victoria and South Australia. KWIL will be updated if other states and territories adopt legislation supporting electronic mortgage transactions. We believe this update will improve the customer experience and provide overall efficiency gains, both in the current environment and thereafter.

2.2 Has ME made any changes to home loan product pricing in response to current economic conditions due to COVID-19?

The Official Cash Rate was reduced to 0.25% in March (via both standard meeting and an emergency response). Subsequently, ME made the following home loan pricing changes:

- 0.25% reduction to variable rates for existing customer effective 26th March 2020
- 0.25% reduction to variable rates for new customers effective 26th March 2020
- A range of new fixed rates for owner occupiers (for new and existing customers) effective 26th March 2020.

ME has also made changes to a range of fixed and variable rate price-points to manage new business growth in the current environment. This includes the following changes:

- Reduced fixed rates for Owner Occupiers (Aug) and Investors (July) for new and existing customers

- Repositioned variable rates on our Basic Home Loan (Aug) for new owner occupier customers.

In November 2020, the Official Cash Rate was further reduced by 0.15% to 0.10%. In response, ME reduced the variable rate for existing customers with 0.15% effective 26th November 2020 (or, in relation to two legacy products, 15 December 2020).

2.3 Has ME experienced reduced/tapered origination volumes (either intentional via credit changes and pricing or otherwise) to date?

No. Increasing application volume growth has been observed through July – September 2020 driven by an enhanced broker support model, competitive credit assessment SLAs and re-positioned new business pricing.

2.4 Does ME have appropriate resourcing in teams within the business that will experience changed levels of activity due to current economic conditions? Is redeployment occurring or likely to occur and how will training be addressed?

ME experienced an increase in customer inbound activity. This is attributed to the range of relief measures made available by ME including repayment holidays, customer support following a repayment holiday and ME's fixed rate pricing. In response, ME has temporarily redeployed part of its staff to customer facing teams to assist with increased customer contact. ME's Virtual Private Network (VPN) capacity has been increased to enable all ME staff to work remotely. All staff training is conducted online.

2.5 What reporting, procedures or committees have been put in place to give ME management visibility of daily developments in order to respond appropriately to current economic conditions?

At the start of the pandemic management intensified its operational cadence to include:

- Fortnightly COVID-19 Steering Committee Meetings
- Regular COVID-19 process and governance meetings
- Daily Executive Pandemic Planning meetings (7 days)
- Weekly Pricing Committee Meetings
- Daily Liquidity Review Meetings
- Weekly Balance Sheet Management Meetings
- Weekly Credit Quality Reporting to measure the quality of applications coming through the door, to help guide appropriate changes to policy / process.

Frequency of some of these meetings has since been scaled down, however they will be re-instated should economic conditions require it.

2.6 What stress testing and/or proactive approaches have been developed in response to current economic conditions, particularly with an expectation that COVID-19 repayment pauses and other hardship applications will increase?

ME home loan portfolio has been stress tested in anticipation of rising unemployment, reduction in house prices and lower GDP. The impacts are being regularly monitored and reviewed as the economic situation changes. The COVID-19 repayment deferral customers and the portfolio are being monitored regularly and a provision overlay is in place. The provision overlay is reviewed regularly to ensure ME holds adequate provisions for expected future defaults.

2.7 Has ME done any stress testing on other cohorts that may experience stress?

Besides portfolio stress testing, ME assesses the risk of customers on repayment deferral through check in conversations with our customers.

At a portfolio level, macroeconomic forecasts and delinquency trends from different segments such as geography and LVR are being monitored.

3 Collections

3.1 Has ME made any changes to its collections policy in response to current economic conditions (eg hardship/payment holidays)?

See question 2.1 above for the that changes have been made to the Credit Policy Home Loans and the Arrears and Hardship Policy as a result of COVID-19.

An assistance package has been made available for customers impacted by COVID-19 which includes a repayment pause for up to 6 months, with a further 4-month extension possible following a credit assessment but no longer than 31st March 2021.

Until 1 October 2020, Customers impacted by COVID-19 who are current or less than 30 days delinquent will be offered a repayment pause, while others seeking a deferral may be offered financial hardship assistance. From 1 October 2020, customers that request a repayment deferral will require a full assessment to ensure the customer requires the deferral.

Interest and charges will continue to accrue during the repayment pause.

ME is in the process of contacting customers that are reaching the end of their 6 month repayment deferral period.

Initial feedback is that a significant percentage of customers can resume payments. A limited cohort of customers are requesting Financial Hardship Assistance. Where a customer cannot service the full amount of their payment obligations alternative loan options are discussed and investigated with the customer. These Payment Arrangements can include (without limitation) a loan restructure to:

- switch to interest only for up to one (1) year
- extend the loan term, if total loan term (including extension) does not exceed 30 years;
- refinance internally, or
- consolidate debts (by Top Up), if the customer has multiple facilities with ME (this only applies to a limited subset of customers).

3.2 When will customers be eligible for a COVID-19 repayment pause, payment arrangement or other financial hardship assistance?

Until 1 October 2020, customers impacted by COVID-19 who are current or less than 30 days delinquent were offered a repayment pause upon request. From 1 October 2020, customers that request a repayment deferral will require a full assessment to ensure the customer requires the deferral. Please refer to our response on question 3.1 for the COVID-19 repayment pause.

Following a repayment pause, if the customer can resume some, but not full repayments, the customer may request a Payment Arrangement that can include a loan restructure. Serviceability, LVR and other requirements must be met before an application is approved.

Financial Hardship Assistance may be offered to customers that are more than 30 days delinquent or are not eligible for a payment arrangement. To be eligible, the customer must be willing and having the intention to pay, however be unable to make his or her repayments due to temporary unusual circumstances. Hardship assistance is intended to provide the client with a temporary period of repayment relief to enable the customer to restore their financial situation. A customer may request hardship assistance at any time.

ME considers industry guidelines issued by the Australian Banking Association when managing a customer's request for repayment relief due to financial difficulty or hardship. These guidelines clearly define two categories which influence how ME responds to the customer:

- When it is possible to restore the customer's financial situation (i.e. short-term change) - **HARDSHIP**
- When it is unlikely to restore the customer's financial situation (i.e. permanent change) - **RESTRUCTURE / OTHER ACTION REQUIRED**

ME carefully considers the borrower's current position when assessing hardship application. ME strives to present an appropriate arrangement that provides a likely outcome enabling the customer to recover their financial position. All assessments must demonstrate that consideration has been given to the customer's ability to repay the loan both during the hardship period and after the hardship period has finished.

3.3 What is your estimation of the likely total number customers with COVID-19 repayment pauses?

As at the 16th of November, 2,201 loan accounts have been approved for repayment pauses (1.8% of the total portfolio).

3.4 What is your estimation of the likely total number customers that can resume repayments, require a payment arrangement or receive Financial Hardship Assistance following a COVID-19 repayment pauses?

As at 24 November 2020, of ME's COVID-19 impacted customers for which the repayment deferral period was ending, approximately:

- 64% was able to resume repayments in full.
- 1% required a Payment Arrangement including loan restructure;
- 1% requested a deferral extension; and
- 11% required Financial Hardship Assistance.

Approximately 5% was not contacted as they had already resumed repayments, for 3% of cases no contact was required for other reasons, and 14% were not contactable after multiple attempts.

3.5 What is ME's action plan/processes/resources in place to deal with an increase in volumes?

ME has responded to increases in COVID-19 repayment pauses (including customer assistance for customers for which the repayments has ended), payment arrangements and hardship volumes by continuous monitoring and allocation of additional externally sourced resources (via an existing trusted co-partner).

Resources from Originations and Credit Risk have been trained and re-purposed to assist with the broader COVID Customer Management Program.

ME's Specialist Customer Assist team, with the onboarding of the additional resourcing into the Customer Assist team, is forecast to have the adequate resources and skills to manage an increase in MIP matters.

3.6 What is the process for when a borrower requests a COVID-19 repayment pause, payment arrangement or financial hardship arrangement in terms of application and approval process?

Customers can request a COVID-19 repayment pause over the phone or through the online form via the website.

Customers will be contacted towards the end of their repayment pause to discuss options, including resuming payments, payment arrangement and financial hardship assistance.

Customers can request financial hardship assistance over the phone or through the online form via the website. Hardship assessments are conducted over the phone. Based on the reason for the request, relevant information will be discussed and documented. I.e. – income and expenditure info if the hardship request related to reduced income.

3.7 Will there be other modifications to loans at any point in the arrangement?

ME continually assesses the customer support packages available to customers impacted by COVID-19. This may result in additional loan modifications not described in this FAQ.

Please contact the Investor Relations team on investorreporting@mebank.com.au to obtain a copy of the most recent version of this document.

4 Reporting

4.1 How does ME plan to report the number of loans impacted by COVID-19? In what format, and how frequently?

All investor reports and loan level data provided to our stakeholders will be updated to capture COVID-19 impacted loans. We intend to publish this data on a monthly basis; however, this can be altered as per stakeholder request.

4.2 Can COVID-19 affected loans be meaningfully identified and reported separately?

All our loan level data to stakeholders have been updated to include an additional column clearly identifying loans with a COVID-19 payment deferral.

However, please note the SMHL Stakeholders Communication in relation to COVID-19 and Arrears Reporting, available on ME's investor website ([link](#)).

4.3 Will COVID-19 affected loans be reported in your arrears reporting?

Consistent with APRA and RBA guidance:

- A loan will not be considered as being in arrears where a borrower has or had been meeting their payment obligations prior to COVID-19 hardship but requests a repayment pause as part of a COVID-19 support package. Instead, an additional column clearly identifying such loans will be introduced.
- If the arrears position of a customer at the start of a repayment pause was greater than 29 days but less than 90 days, the arrears days are frozen throughout the deferral period. In this case, the account will be included in the investor reporting both as (i) arrears and (ii) subject to repayment pause.
- A loan that is restructured as part of a payment arrangement will not be considered in default.

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