

# Terms & Conditions Business Term Loans

Effective 15 March 2023



Great Southern  
Bank

## Important note.

The terms and conditions detailed in this document are only indicative of those that could be specified in our official Offer and Loan Contract. When we approve a business term loan, we issue our Offer and Loan Contract document which will have terms and conditions specific to your loan and security property.

## Need help? Contact Us

Call Great Southern Bank on **133282**

Visit [www.greatsouthernbank.com.au](http://www.greatsouthernbank.com.au)

Email [businessbanking@gsb.com.au](mailto:businessbanking@gsb.com.au)

Talk to a Business Lender **1300 767 506**

or drop into a branch

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## 1. Introduction

Thanks for reading this document. If not already a customer, we hope you will join us at Great Southern Bank! It's important that the borrower understands their rights and commitments when taking out a loan. This document provides information to assist understanding.

Please note business loans are primarily for commercial purposes and, except for investment in residential property, are not regulated by the National Credit Code.

- a) The Terms and Conditions ("T&C's") detailed in this document are examples of those that could be contained in our official Offer and Loan Contract document. Terms and conditions are also set out in our Business Loan Application Form. When a business term loan is approved, we issue our Offer and Loan Contract document which will contain all the specific Terms and Conditions applicable for the life of that loan. The terms and conditions for any security will be set out in the security document. Terms and Conditions for our Everyday Business transaction account are available at <https://www.greatsouthernbank.com.au/business-banking/everyday-business-account>.
- b) By applying for business finance and receiving the proceeds at draw down, all borrowers become bound by the T&C's that will be set out in our Offer and Loan Contract document.

The borrower becomes a member of Great Southern Bank a business name of Credit Union Australia Limited and is bound by the Constitution which is available on our website at [www.greatsouthernbank.com.au](http://www.greatsouthernbank.com.au).

## 2 About Small Businesses

- 2.1 We commit to complying with the Customer Owned Banking Code of Practice (as varied from time to time).
- 2.2 A copy of the Customer Owned Banking Code of Practice can be downloaded from the Customer Owned Banking Association website at: [www.customerownedbanking.asn.au](http://www.customerownedbanking.asn.au)

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## 3. Conditions Precedent

Here are examples of conditions that would need to be met before we draw down any business term loan.

- 3.1 The Offer and Loan Contract has been accepted by the Borrower and any Guarantor.
- 3.2 All the relevant identity documents for the entity, individuals, directors, trustees, the entity's beneficial owners and any other authorised official have been provided and verified.
- 3.3 All information relevant to the loan has been provided, is true and correct.
- 3.4 The security property(ies) for the loan has(ve) been offered, valued and accepted by us.
- 3.5 The security document is executed, stamped and in registrable form and if appropriate, registered.
- 3.6 Any guarantors to the loan have provided the guarantee and have not withdrawn or asked to limit their guarantee or become an undischarged bankrupt.
- 3.7 Any guarantors to the loan that must supply additional mortgageable property as security have provided that security. Evidence of acceptable property insurance has been provided.
- 3.8 If applicable, Lenders Mortgage Insurance (LMI) has been accepted by the mortgage insurer.
- 3.9 Any other pre-conditions contained in our Offer and Loan Contract have been met.
- 3.10 A new or existing Great Southern Bank Everyday Business Account is open to be used to distribute the net loan proceeds after deduction of any fees payable at the time.
- 3.11 Any other documents, information or authorisations which the Bank or its solicitors believe are necessary or desirable in relation to the Loan have been provided.

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## 4. Declarations

When signing our Business Loan Application form or Acceptance of our Offer and Loan Contract, the borrower/s declare/s that:-

- 4.1 The names of all individuals given to us are correct.
- 4.2 The security provided is not subject to foreign investment laws and restrictions from the Commonwealth Government
- 4.3 The security property(ies) owner(s) names are the actual owners and we have been advised of any joint owners.
- 4.4 The property(ies) offered as security will not become subject to any competing security interest or obligation without our written consent.
- 4.5 The individual and entity (e.g. company) borrowers are not in default with any other creditor or owe debts which have not already been declared to us.
- 4.6 The most recent financial statements of the Borrower:
  - (i) are a true, fair and accurate statement of their respective financial positions
  - (ii) reflect all actual and contingent liabilities and
  - (iii) are prepared in accordance with any applicable law, and that there has been no material adverse change in the financial position or credit worthiness of the Borrower since the date of the financial statements.

If deemed necessary as part of a loan assessment, our processes in relation to external expert investigative accountant's reports will be fair and transparent. This includes ensuring:

- a) that the selected accountant is appropriately qualified and experienced, and,
- b) appropriate management of any conflict of interest when appointing as a receiver someone who has provided an investigating accountant report about your business.

If we have charged you or you have reimbursed us for an accountant's report, except where we have commenced enforcement proceedings, we will provide you with the report and our instructions to the accountant. Before providing these to you, we may require you to acknowledge in writing that you accept our reasonable limitations on your use of these.

- 4.7 The borrowing entity is financially sound and there are no current, pending or threatened proceedings that could materially affect the entity's financial, legal, or borrowing obligations.

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- 4.8 The business carried on will be conducted and maintained in a proper, orderly and efficient manner including:
  - (i) complying with laws and paying taxes when due
  - (ii) not changing its business operations in any material way without the consent of the Bank
  - (iii) preparing proper and adequate books of account; and
  - (iv) ensuring that its business and all of its assets are fully insured and that all terms and conditions of the insurance policies are complied with.
- 4.9 Any loan(s) or overdrafts do not create a conflict of interest for the entity and if the purpose of the loan is to buy shares in the entity, that assistance is permitted under the Corporations Act.
- 4.10 We have consent to providing information about the borrower and our Offer and Loan Contract to any guarantors.
- 4.11 The Borrower acknowledges that the Bank may receive or pay commission for your introduction to it.

## 5. Loan Purpose and Draw Down

- 5.1 The proceeds of the loan can only be used for the purpose as set out in our Offer and Loan Contract.
- 5.2 Unless otherwise agreed in writing the loan will be drawn down on a date chosen by us once we are satisfied that all conditions precedent have been met. If the loan draw down does not take place within 90 days from the date of our Offer and Loan Contract, we may, at our option:
  - a) deposit the Loan into an account in the borrower/s name with us; or
  - b) write to the borrower and terminate the Offer and Loan Contract.
- 5.3 We may withdraw or vary our Offer and Loan Contract at any time before the borrower accepts it, if there is any material change in their circumstances or facts arise which are prejudicial to us or if it is otherwise reasonably necessary to protect our Legitimate Interests. In our Terms "Legitimate Interests" includes our legitimate business needs, prudential requirements and/or security requirements (including any reasonable response to material changes to our business or systems).

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## 6. What is payable

### 6.1 Principal

Principal is the total amount of loan advanced or Overdraft limit set out in our Offer and Loan Contract. The total Principal must be repaid over the term specified in the Offer and Loan Contract or sooner.

### 6.2 Interest charges

Interest is charged at the annual percentage rate specified in our Offer and Loan Contract. The Borrower agrees to pay to the Bank interest calculated in the manner set out in the Offer and Loan Contract. The annual percentage rate and any applicable margin at any time (including applying a margin) can be varied by us without any prior consent from the borrower. However, we cannot vary the rate whenever the annual percentage rate is fixed. Unless otherwise specified:

- a) We will calculate interest daily by multiplying the unpaid daily balance (which includes but is not limited to the basic loan amount, fees and charges and insurance premiums) at the end of the day by the daily percentage rate. The daily percentage rate is the annual percentage rate divided by the number of days in that calendar year.
- b) If we increase the annual percentage rate and/or any applicable margin, we will notify the borrower of the variation no later than the day it takes effect, by:
  - (i) publishing a notice in a newspaper and sending a notification in the borrower's next statement of account; or
  - (ii) giving the borrower written notice.
- c) We may vary how we calculate interest or how often we debit interest. If the variation increases obligations, we must give at least 7 days written notice before the increase takes effect. If a variation does not increase the borrower's obligations, we will send a notification in the borrower's next statement of account.
- d) We will debit interest as follows:
  - (i) calendar monthly – on the last day of each calendar month; and
  - (ii) on the day the borrower pays the balance of the loan.
- e) If a default rate of interest is specified in our Offer and Loan Contract, it will be charged when a repayment is past due. Default interest is charged

as well as interest. We will calculate default interest daily by multiplying the overdue amount by the daily default percentage rate. The daily default percentage rate is the Default Rate of Interest divided by the number of days in that calendar year. We will debit default interest on the same day as we debit interest.

### 6.3 Fees

Fees are set out in our Offer and Loan Contract. The Borrower agrees to pay to the Bank the fees specified in the Offer and Loan Contract on the dates and in the manner specified in the Offer and Loan Contract and if no specification is made, as determined by the Bank. Our Business Schedule of Fees can be viewed at <https://www.greatsouthernbank.com.au/?a=384384>. If our Offer and Loan Contract is not accepted or is declined, we can ask for payment of accrued fees and charges under our Offer and Loan Contract and keep any fees or charges already paid.

## 7. Early Payout Cost

If the borrower pays out their fixed rate loan prior to the end of the fixed rate period, an early payout cost (EPC as outlined below) will apply.

When a borrower enters a fixed rate loan contract, they are effectively locking in the loan interest rate offered to them for an agreed period (e.g. 5 years). If they decide to switch or payout their fixed rate loan before the end of the agreed period, they are effectively breaking that fixed rate loan agreement. An EPC that could cost them thousands of dollars may apply.

An EPC is not a penalty, and it is not fee revenue. If we lose money as a result of a borrower breaking their fixed rate loan agreement, we charge an EPC using a reasonable cost-recovery calculation to recoup our loss.

A fixed rate loan agreement is a contract and under the general principles of contract law, if the borrower breaks a contract and the other party to that contract suffers a loss, the borrower needs to compensate that party for that loss.

We recommend that before deciding to break a fixed rate loan agreement, the borrower should obtain an EPC "quotation" from Great Southern Bank and then seek independent financial and/or legal advice. It is also important to note that the financial markets are unpredictable and interest rates can change daily, therefore, an EPC quotation is valid only for the day it was quoted.

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## 7.1 Calculation of EPC

The Financial Ombudsman Service (FOS), the predecessor body to the Australian Financial Complaints Authority, assessed the methodology to fairly and reasonably estimate break costs on fixed rate loans and released a fact sheet titled 'Breaking a Fixed Rate Loan' on their website. Great Southern Bank's EPC calculation (outlined below) reflects this fair and reasonable methodology supported by FOS.

When the borrower takes out a fixed rate loan, they are effectively locking in their interest rate (i.e. their funding costs) for an agreed period. Great Southern Bank as a financial intermediary borrows funds from savers and investors in the economy and on lends to borrowers. As the borrower has fixed their funding costs for an agreed period, we will also seek to fix our funding costs for a similar period of time to protect Great Southern Bank against future interest rate movements.

If the borrower decides to break their fixed rate loan agreement, we also need to unwind our fixed rate funding. In order for us to reasonably calculate whether or not we have made a loss, we compare the movement in the wholesale market swap rates (swap rates) between two points in time (i.e. point 1 is the swap rate for the agreed fixed rate period when the borrower takes out their fixed rate loan and point 2 is the swap rate for the remaining term of the fixed rate period when the borrower breaks their fixed rate loan).

On the day the borrower breaks their fixed rate loan early, if the swap rate for the remaining term of the fixed rate period is less than the swap rate applied at the start of their fixed rate period, we will make a loss and we will charge the borrower an EPC.

The wholesale market swap rates are published daily in the Australian Financial Review under the heading "Swap Rates: Quarterly in arrears" and they are the most transparent fixed rate cost of funds that can be used to approximate our EPC calculation.

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## 1.1 Formula

The formula for determining our EPC is as follows:

$$EPC = \max \left( 0, \sum_{i=1}^n P_{i-1} \times (SW_1 - SW_2) \times v_{i@SW_2} \right)$$

Where:

$P_i$  = Principal outstanding as at payment period  $i$  determined using the borrower fixed rate FR

$FR$  = Borrower fixed rate over the fixed rate period

$SW_1$  = Swap rate as on loan origination date over the duration of the fixed term

$SW_2$  = Swap rate as on the loan payout date over the remaining duration in the fixed term

$v_{i@SW_2}$  = Discount factor using swap rate as on payout, ie.  $(1/(1 + SW_2))$

$n$  = Number of outstanding payments in the fixed period

Note that the above formula describes the methodology used for calculating the EPC in case the payout occurs on a repayment date. However, if the payout occurs on a non-repayment date, we first calculate the EPC as on the prior repayment date and adjust this amount to reflect the loss on the payout date.

Below is a working example of the above explanation

For example, \$150,000 borrowed from Great Southern Bank on 1 July 2011 fixed for 5 years at an interest rate of 7% over a 25 years loan term, and the borrower chose to pay principal and interest monthly. The swap rate for 5 years fixed term was 6% (i.e. our funding costs for Point 1 of the two points in time mentioned earlier).

On 1 July 2014, after 3 years into a 5-year fixed rate loan, the borrower decides to payout their loan in full, but their loan still has 2 years remaining. Accordingly, we refer to the swap rate for 2 years fixed term on the day of loan payout and it was 4.5% (i.e. Point 2 of the two points in time).

The money paid back to us on 1 July 2014 estimated around \$137,800 (i.e. principal outstanding) has market value of only 4.5% for the remaining 2 years, however, we are still required to pay the 6% funding costs for that same 2 years. Therefore, we are effectively losing 1.5% from the money paid back to us for the remaining 2 years of the 5 years fixed term (i.e. 6% - 4.5% = 1.5%).

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The full calculation using the disclosed formula above is technical and complex. We use an automated calculation model that conforms to the methodology assessed by FOS.

For the purpose of this working example, we will simplify the calculation based on the underlying principles of the disclosed formula.

- The loan amount being paid out is:  
**\$137,800**
- The movement in the swap rates between Point 1 and Point 2 is:  
**6% - 4.5% = 1.5%**
- The remaining fixed rate term of the loan:  
**2 years**
- The simplified calculation to reasonably estimate whether or not we have made a loss for the remaining 2 years (future value) is:  
 **$\$137,800 \times 1.5\% \times 2 = \$4,134.00$**
- Using the present value formula, the \$4,134.00 is then discounted back to present day value, therefore:  
**EPC = \$3,821.50**

## 8. Repayments

- 8.1 The Borrower must pay to the Bank all scheduled repayments in the amounts and on the dates specified in the Offer and Loan Contract or on the termination date, whichever is the earliest.
- 8.2 Our Offer and Loan Contract will set out repayment details including the amount of monthly repayments, the number of repayments, the period over which repayments are to be paid and when the first repayment is to be made.
- 8.3 Repayment amounts are calculated to include a portion of Principal unless we have agreed to an interest only repayment period.
- 8.4 If an overdraft limit is exceeded, repayment of the excess is due immediately.
- 8.5 We may vary:
- a) the amount, frequency, or time of repayments; or
  - b) the method of calculating repayments
- 8.6 We may apply any repayment to enforcement expenses, default interest, credit fees and charges, interest, or principal as we choose

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8.7 If we do not receive value for a cheque, payment order or direct credit, or if an error is made, we may:

- a) reverse any credit
- b) charge interest and
- c) exercise any right or remedy under the Offer and Loan Contract as if the repayment or error had never been made.

## 9. Variations

- 9.1 We may, without any prior consent from the borrower:
- a) vary the amount of any Credit Fee or Charge
  - b) add a new Credit Fee or Charge (which is a Credit Fee and Charge)
  - c) vary the method of calculating any Credit Fee and Charge or
  - d) vary the time or frequency of payment for any Credit Fee or Charge.
- 9.2 If the variation increases the borrower's obligations, we must notify the borrower at least 7 days before the change takes effect by:
- a) publishing a notice in a newspaper and sending borrower notification in their next statement of account; or
  - b) giving the borrower written notice.
- 9.3 If the variation does not increase the borrower's obligations, we will send the borrower a notification in their next statement of account.
- 9.4 Notwithstanding the above, government fees are set by a third party and may change without notice. Any government fees specified in our Offer and Loan Contract are accurate at the time the document is generated. The amount of government fees will be subject to the government scale of fees at the time the amount is payable and may vary from the amount quoted in our Offer and Loan Contract.

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## 10. Other Variations

**10.1** We may vary some of the terms and conditions in our Offer and Loan Contract:

- a) When our Offer and Loan Contract does not state a Default Rate of Interest – to add a Default Rate of Interest to calculate Default Interest Charges under the “Calculating Default Interest Charges” clause or
- b) to increase or decrease the Default Rate of Interest specified in the Offer and Loan Contract; or
- c) to vary the minimum redraw amount under any Redraw Option attached to this Offer and Loan Contract
- d) to change any other term or condition that applies to our Offer and Loan Contract; or
- e) to change the loan product type under our Offer and Loan Contract.

**10.2** Except where the right to make a change is provided for elsewhere in our Offer and Loan Contract, we will only make such changes where it is reasonably necessary to comply with the law or any applicable code or is reasonably necessary to protect our Legitimate Interests.

## 11. Redraw Option

**11.1** If advance payments total at least the minimum redraw amount, a redraw can be processed up to the amount of the advance payments less any cheques and direct debits not yet cleared at the time the redraw is requested. Each redraw must be at least for the minimum redraw amount that we specify from time to time. We will credit the redraw amount to the borrower’s Great Southern Bank transaction account.

We may suspend the Redraw Option if:

- a) at any time, loan repayments are in default or there is an unremedied event of default; or
- b) our priority position with respect to any amount requested to be re-lent would not be acceptable to us; or
- c) a guarantor or joint Borrower has not consented to the proposed redraw; or
- d) in our reasonable opinion, the borrower or guarantor’s financial or other circumstances (having regard to the borrower or guarantor’s ability to meet the obligations under our Offer and Loan Contract or the security) have adversely changed since acceptance of the Offer; or

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- e) at any time, a hold is placed on some or all of the amount in advance; or
- f) in our reasonable opinion the value of the Mortgaged Property has deteriorated; or
- g) suspension of the Redraw Option is reasonably necessary to protect our Legitimate Interests.

If a hold has been placed on some or all of the advance amount, the Redraw Option is only suspended in respect to the amount upon which a hold has been placed.

**11.2** We may cancel the Redraw Option at any time:

- a) if it is reasonably necessary to protect our Legitimate Interests (e.g. in order to meet any prudential requirement under the Banking Act or direction from the Australian Prudential Regulatory Authority); or
- b) if a guarantor limits their liability under the guarantee; or
- c) if there is a deterioration in the value of the mortgaged property.

## 12. Events of Default

**12.1** An Event of Default under our Offer and Loan Contract which may require you to repay our loan include:

- a) if a repayment is not made in full by the date it is due or
- b) the overdraft limit is exceeded
- c) any mortgagor or guarantor provides incorrect, misleading or untrue information to us; or
- d) there is an event of default under any security that would constitute an event of default under our Offer and Loan Contract or
- e) the borrower and or guarantor become insolvent or
- f) the death of the borrower or guarantor or he/she becomes unable to manage their own affairs or
- g) a mortgagor fails to renew on terms that satisfy us any Mortgaged Property insurance that we require or
- h) failure to comply with any other of the terms and conditions of our Offer and Loan Contract or
- i) a breach of any other term of our Offer and Loan Contract or

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- j) in relation to a guarantee:
  - (i) a guarantor fails to comply with any of the terms and conditions of the guarantee; or
  - (ii) a guarantor breaches any term of the guarantee; or
  - (iii) the guarantee is withdrawn; or

**12.2** Except where you fail to make a payment to us when due, before we take any action available to us under this clause we will make an assessment that the default is material, either by its nature or where we reasonably consider that the default has had, or is likely to have, a material impact on:

- a) your ability or a guarantor's ability to meet their financial obligations to us;
- b) our credit or security risk (or our ability to assess these); or
- c) our legal or reputational risk.

**12.3** If the borrower is in default, we may send the borrower a default notice. The notice will advise:

- a) what the default is; and
- b) what the borrower has to do to remedy the default; and
- c) that the borrower will have at least 7 days from the date of the notice to remedy the default.

**12.4** If the borrower does not comply with the default notice, the borrower becomes liable to pay us the total outstanding balance immediately and we may repossess and sell any Mortgaged Property.

### 13. Where the Borrower is a Trustee

**13.1** If a Trustee enters into our Offer and Loan Contract, they warrant:

- a) that our Offer and Loan Contract is binding on them personally and in their capacity as trustee
- b) that they are the sole trustee of the trust
- c) full particulars of the terms of the trust, including an accurate and up-to-date copy of the trust deed, have been given to us
- d) the trustee has the power under the trust deed to enter into and perform the obligations under our Offer and Loan Contract and any security

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- e) all transactions including our Offer and Loan Contract are or will be entered into as part of the proper administration of the trust and are or will be for the benefit of the beneficiaries or unit holders (where applicable)
- f) that they will perform and observe all of their duties as trustee and that they are not in default under the trust deed
- g) that they have the right to be fully indemnified out of the Trust Fund.

**13.2** Unless agreed to in writing by us:

- a) the trust deed will not be altered
- b) the borrower cannot retire as trustee
- c) the trustee will not distribute, resettle, transfer, or assign the capital of the trust
- d) the trustee will not change the financial position of the Trust.

### 14. Where the Borrower is a Company

**14.1** If the Borrower is a company, the Borrower must not change:

- a) the ownership of shares
- b) the directors
- c) the capital and major assets of the company
- d) the memorandum and articles of association
- e) the number of issued shares, unless we agree in writing.

### 15. Where the Borrower is a Partnership

**15.1** If the Borrower enters into the Loan Contract as partners:

- a) each partner as a separate, independent, principal and personal obligation must pay to the Bank the Outstanding Amount whether or not the Bank may recover any sum from the partnership assets;
- b) and the partnership is dissolved:
  - (i) the Borrower must immediately give written notice of that event to the Bank;
  - (ii) each partner must act in relation to the administration of the partnership assets in the manner (if any) directed by the Bank;

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- (iii) a retiring partner is not discharged from any liability to the Bank as a result of an agreement between the then existing partners; and
- (iv) the obligations of a retiring partner to the Bank under any relevant document are not affected by anything which might otherwise affect them at law or in equity.

## 16. Valuation





- 16.1** Our processes in relation to external expert valuation reports will be fair and transparent. This includes ensuring that the selected valuer is appropriately qualified and experienced.
- 16.2** At any time that we reasonably consider appropriate, we may arrange for a new valuation of the Mortgaged Property. In this event, the borrower will be liable to pay to us any valuation cost incurred.
- 16.3** Any valuation of a Mortgaged Property is obtained by us for our purposes only and is not available to anyone else. If we have charged the borrower or have been reimbursed by the borrower for a valuation of commercial or agricultural property, except where we have commenced enforcement proceedings, we will provide the borrower with the report and our instructions to the valuer when requested to do so. Before providing these to the borrower, we may require an acknowledgement in writing the borrower accepts our reasonable limitations on the use of these documents.
- 16.4** Should the borrower hold any concerns regarding the value of a Mortgaged Property, we recommend seeking an independent valuation of the property to determine the local market value. We make no representation in relation to the commercial viability or value of the Mortgaged Property, or any property being purchased.

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**Great Southern  
Bank**

## How to contact us

-  Call Great Southern Bank on 133 282
-  Visit [greatsouthernbank.com.au](https://greatsouthernbank.com.au)
-  Through online banking
-  Talk to a Business Lender on 1300 767 506 or drop into a your local branch.

Great Southern Bank  
a business name of Credit Union  
Australia Limited  
**ABN** 44 087 650 959  
**AFSL** and Australian Credit Licence 238317  
Registered Office:  
Level 27, 300 George St, Brisbane 4000

RC1648065\_230324

