

# Information statement for co-borrowers

## 1. Borrowing money with someone else?

### Here's what you need to know.

If you take out a loan with other people, you become what's known as a co-borrower. If this is something you want to do, it's important to understand what it means in terms of your rights, responsibilities, and obligations.

In particular, it's crucial you're aware that:

- The information you provide on your application will be visible to all co-borrowers.
- Each co-borrower is jointly and severally liable for the whole debt. This means that if the other co-borrower(s) stop making repayments, you will be responsible for the rest of the loan.
- If repayments are not made, this would result in a default on your loan which may negatively impact your credit rating.
- If the default is not corrected, we may exercise our right to sell the collateral where it is held as security for the debt (e.g., property or vehicle).
- If proceeds of the sale of the collateral are not sufficient to cover our costs (i.e., the outstanding balance plus any applicable fees and charges), you may still owe a debt to us.
- Being a co-borrower is not the same as being a guarantor.

## 2. What's the difference between a co-borrower and a guarantor?

Before entering into a co-borrowing arrangement, it's important to be aware of the differences between being a co-borrower and being a guarantor. Great Southern Bank does not offer personal loans with a guarantor.

- A co-borrower has primary responsibility for the debt, whereas a guarantor has secondary responsibility. This means the guarantor only becomes liable when the borrower has defaulted on the loan.
- A guarantor isn't necessarily responsible for 100% of the loan amount whereas a co-borrower always is.
- The Customer-Owned Banking Code of Practice and the law provide protections to guarantors that might not apply to co-borrowers. For more information about becoming a guarantor, please contact your Home Loan Specialist or Broker.

## 3. What is 'substantial benefit' and why does it matter?

As a co-borrower, gaining substantial benefit from a loan means that you receive a reasonable portion of the benefit. So, for example, if you were to take out a home loan with your partner to buy a property in which you had an equal share, you would both be substantially benefitting. If, however, you were only to own 20% of the property and your partner 80%, you may not be substantially benefitting.

As a responsible lender, Great Southern Bank may not accept loan applications from co-borrowers who won't substantially benefit unless we can be sure they understand both the risks involved and the difference between a co-borrower and a guarantor.

## 4. Should I seek legal advice?

Before proceeding with your application, you need to consider the financial risks, including the risk of losing your security, property or other assets. For this reason, we strongly recommend you seek independent legal and financial advice about your obligations as a co-borrower or guarantor.

## 5. What do I do next?

Once you have fully understood the implications of being a co-borrower and/or have obtained independent legal and financial advice, you can either:

- Choose to continue with the loan application as co-borrower.
- Request to change from being a co-borrower to a guarantor by contacting your Home Loan Specialist or Broker.
- Withdraw your consent for the loan application so long as you have not received any credit under the contract.

## 6. Feeling pressured?

If you are feeling pressured into applying as a co-borrower on a loan, please let your Home Loan Specialist, Personal Lending Specialist or Broker know immediately.

*This guide contains information of a general nature. You should seek independent advice to understand how it may apply to your specific circumstances.*