



Southern Cross Partners Limited

Hardship Policy

January 2021

About this document

A Borrower has the right to ask us to change their consumer credit contracts if they are experiencing financial distress. Financial distress is a scenario where a borrower cannot meet or is forecast to have difficulty meeting its financial obligations. Financial distress can be experienced as a result of a one-off event or a gradual decline. When considering a hardship application, we must comply with lender responsibility principles. These require us to consider the hardship application in a careful, diligent, and skilful way. This Policy provides you with information on how to help a customer if they are in financial distress.

Approval

Business Owner:	Johanna Bloemendal
Authorised by:	<i>Julia R. Milward.</i>
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Version Control

Version	Date	Author	Description
0.1			Draft policy
1.0	10/01/2021	Johanna Bloemendal	Policy published
1.1	03/02/2022	Johanna Bloemendal	Annual review

Early Warning Signs for Financial Distress

There are many different factors that may result in a customer experiencing hardship and/or arrears and these may vary from industry to industry and customer geography. Some common early warning signs for financial distress include:

Cashflow stress indicators	<ul style="list-style-type: none"> • Creditor days increasing (string out payments to supplier) • Debtors days increasing (i.e. carrying bad debt/debtors) • Regular excesses / dishonours on accounts
Unusual customer activity	<ul style="list-style-type: none"> • Limit reductions not met • Loan arrears or failure to repay loans as scheduled
Sudden or unexpected changes	<ul style="list-style-type: none"> • Health issues of the principle business operator • Major legal action / claims

Taking Early Action

Early identification and intervention are key:

- Keep in regular contact with your customers
- Where appropriate conduct a site visit
- Ensure that regular and accurate information is provided.

Essentially a Borrower may be suffering Hardship if they are unable to meet their financial commitments. This situation may be foreseen by Southern Cross (i.e., the Borrower has notified us of financial difficulties) or may become obvious once loan payments are missed.

Staff dealing with Borrowers/Brokers should stay alert to any possibility of a Hardship situation, as it is unlikely that Borrowers will use the exact terminology.

If Hardship is suspected or Hardship relief is requested, Southern Cross staff should direct the Borrower/Broker to follow Southern Cross's requirements found on our website under Unforeseen Hardship.

Hardship Application Criteria

Note that the Credit Contracts and Consumer Finance Act (CCCFA) has specific guidelines regarding a Lender's obligation on Hardship applications. It may be that applications are outside of these guidelines, but that should not be the sole reason for Southern Cross declining any such application.

The criteria applicable to making a hardship application, under the CCCFA are:

- The Borrower has suffered a hardship they couldn't reasonably have seen coming (unforeseen)
- As a result of that, Hardship, the Borrower, cannot reasonably meet their loan payments.
- The Borrower believes they would meet their debt repayments if the contract was changed in the ways specified below by either:
 - Extending the term and reducing the amount of each repayment
 - Postponing payments for a specified period

- Extending the term AND postponing the payments for a specified time frame

Roles and Responsibilities

Roles	Responsibilities
Financial Administrator	Co-ordination and implementation of the Hardship process, which includes: <ul style="list-style-type: none"> • Obtaining required information from Borrowers • The calling together of the Hardship Committee • The Decision-Making Process • Compliance with all of Southern Cross's Credit Policies • Pricing and Terms
Compliance Manager	<ul style="list-style-type: none"> • Ensuring that Staff are aware of their obligations regarding Hardship • Ensuring that Staff know how to identify potential Hardship situations • Ensuring that Staff are knowledgeable of the Hardship requirements and procedures for application • Training all Staff at least annually and training all new Staff within four weeks of joining Southern Cross.

Procedure

Receiving the Application

- Southern Cross will receive Hardship requests, either directly from Borrowers or through Brokers/Advisors. The application must be done in writing.
- The Financial Administrator will ensure the appropriate documentation is received. This includes:
 - Application form
 - Financial Information
 - Reasons for the request
 - Any changes in borrowers' goals or requirements/changes in Exit Strategies
- The Financial Administrator will call a meeting of the Hardship Committee.
- This meeting comprises no less than three people, selected from the Credit Team / Management / Financial Administrator. One attendee must be one of the Managing Partners and/or the Compliance Manager.

Hardship Committee

The Hardship Committee will review the Borrowers application and revisit the changes in their situation since the original loan approval. Unforeseen changes should be given greater weight (e.g., but not limited to, illness, injury, job loss, etc.). With those factors in mind, the Committee should review the following elements:

- Loan repayment history
- LVR
- Location
- Pricing

- What was the original exit strategy
- Appropriateness of financial information.

The effect of the Hardship application on the Loan should be calculated and considered, together with the Borrowers request's reasonableness. The table below details factors that could be considered.

From Southern Cross's Perspective	From the Borrower's Perspective
What are the consequences of deferring/delaying payments in respect to Southern Cross's security position?	Is any deferral/delay in payments going to alleviate their issues, and ultimately put them into a better financial position?
Is there further supporting information that could be requested, such as a Medical Certificate.	What is the impact of this application on their Financial Goals, and their stated Exit Strategy?
	What is the likelihood of the Borrower being able to rectify the Hardship situation?
Are there any conditions that this may be subject to if approved (such as seeking Budgeting Advice, etc.)	Is deferring/delaying payments the best outcome for the Borrower?
	Is the request genuine or opportunistic to defer payments?

Decision	Actions
Decline the request	<ul style="list-style-type: none"> • Advise the Borrower in writing, including the reasons for the decline • Borrower to be advised of Southern Cross's Internal Disputes Process and External Dispute Resolution Service
Approve the request	<ul style="list-style-type: none"> • Provide the Borrower with Loan Revision Documents, if required.

Response Times

Within 5 Working Days	Send a written receipt/acknowledgment to the Borrower
Within 10 Working Days	Request any further information/documentation that is required
Within 20 Working Days	Provide a response of whether the application has been approved, or if not, the reasons for not approving.

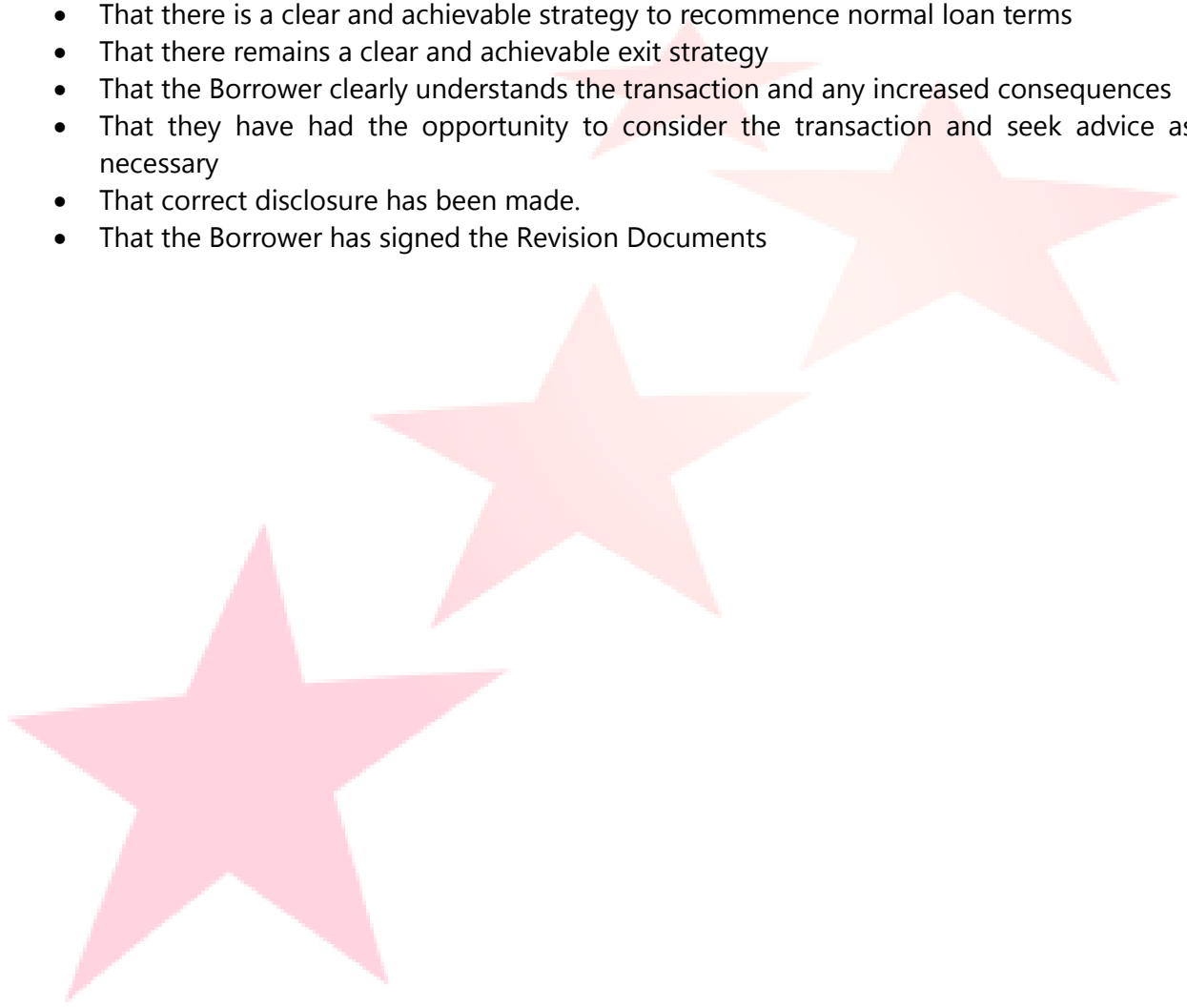
If the application has not been approved, the lender must provide the Borrower with information on their right to apply to the courts to change the terms of the contract.

No fees can be charged for the hardship process; however, if the application is approved, the lender may charge a fee for the variation, providing it is set out in the contract and has been disclosed to the Borrower. This fee must be reasonable.

If, for some reason, the application does not meet the criteria set out in the Act, we will ensure that we treat the Borrower reasonably and in an ethical way and abide by the lender responsibility principles.

In all cases, loans should only be revised if Southern Cross is satisfied:

- That the loan amount/term / features meet the borrowers changed circumstances (to the limit that we can)
- That the Borrower can meet the revised loan payments (if any) without causing further Hardship
- That there is a clear and achievable strategy to recommence normal loan terms
- That there remains a clear and achievable exit strategy
- That the Borrower clearly understands the transaction and any increased consequences
- That they have had the opportunity to consider the transaction and seek advice as necessary
- That correct disclosure has been made.
- That the Borrower has signed the Revision Documents



Appendix 1 – Unforeseen Hardship

What to do If you suffer unforeseen Hardship – Consumer Credit Contracts

Making an application

Suppose your loan contract is a Consumer Credit Contract and you are unable to reasonably keep up your payments or other obligations during the term of the Loan because of illness, injury, loss of employment, the end of a relationship, or other reasonable cause. In that case, you may be able to apply to Southern Cross Financial Group ("SCFG") for a hardship variation.

Your loan contract will be a **Consumer Credit Contract** where the purpose of the Loan was wholly or predominantly for personal, domestic, or household purposes unless you, as the Borrower, are a trust or a company. If you do not know whether your Loan is a consumer credit contract, please ask SCFG or your lawyer.

To apply for a hardship variation, you need to:

- make an application in writing
- explain your reason(s) for the application
- request one of the following:
 1. an extension of the term of the contract; or
 2. a postponement of the dates on which payments are due under the contract (specify the period for which you want this to apply); or
 3. both above; and
- give the application to the SCFG.

Do this as soon as possible. If you leave it for too long, SCFG may not have to consider your application.

You can make an application if you have not:

- Been in default for two months or more; or
- Been in default for two weeks or more after receiving a notice under the Property Law Act; or
- Failed to make four or more consecutive periodic payments on their due dates, and these missed payments have not been caught up.

What Southern Cross will do

In the event SCFG receives a hardship application from you, then SCFG will:

- Within five working days, send a written receipt or acknowledgment to you
- Within ten working days after receiving the application, send a written request to you for any further information relevant to the application
- Within 20 working days after receiving the application, by the lender responsibility principles, decide whether or not to agree to the changes requested, notify you (in writing) and, if SCFG has not agreed to the changes requested advise you of the reasons for that decision together with a clear summary of your rights.

Suppose SCFG has requested further information from you. In that case, the timeframe for making the hardship changes is the later of 20 working days after requesting information or ten working days after receiving the further information requested.

SCFG will not charge you a fee for making a hardship application. However, if the application is successful and the contract is amended, then SCFG may charge you a fee.

What SCFG will consider

When considering a proposed repayment plan as part of an unforeseen hardship application, SCFG will have regard to:

- The likely duration of the unforeseen Hardship and what steps, if any, you are taking to address it
- Your credit history and any other matters relevant to an assessment of whether you can make repayments without substantial Hardship
- Whether the repayment plan will allow you to meet your obligations during the period of the proposed repayment plan and over the remaining life of the loan contract; and
- Whether the repayment plan would fail to enable you to meet your obligations during the period of unforeseen Hardship, would unnecessarily prolong the period of difficulty, or would be likely to result in you experiencing financial difficulties over the remaining life of the credit agreement.

For more information, please see www.comcom.govt.nz/consumer-credit/consumer-credit-fact-sheets-post/applying-for-hardship/

Acknowledgment

By filling out the information and signing below, you indicate that you have read and understood the policy's contents and agree to act consistently with it. However, the absence of a signed copy of the policy is not an indication that it has not been made known and available to you, or that the policies do not apply to you.

Name:

Position:

Date:

SIGNED:

