

BECOMING A GUARANTOR

more
than
money



You're thinking about becoming a guarantor. This is a big decision that involves serious financial risk. Before you proceed we want to make sure you understand what it's all about.

That's why we've written this guarantor information sheet. It explains, in general terms, what it means to be a guarantor – and what you're promising to do by signing up to become one.

Even after you've read this guarantor information sheet, we urge you to get independent legal and financial advice. That way you'll have all the information you need before you make a commitment.

What is a guarantor?

A guarantor is someone who promises to repay money that is owed to us under a loan, if for some reason the borrower doesn't. However, when we assess whether a borrower can repay their loan, we may rely on your promise to make contributions to the borrower so that the borrower can make their repayments – but that is separate to the promises you make to us as a guarantor.

To become a guarantor, you need to sign a guarantee – a legal contract where you make that promise to us.

How much money might you have to pay?

The guarantee may cover all or specific loans that we give the borrower, depending on the type of guarantee. The guarantee will set out the maximum amount you may have to pay, which can be:

- the amount of any dollar limit described in the guarantee plus other things covered by the guarantee, such as interest, expenses and recovery costs
- a specific category of amounts, such as the amount owing under a specified loan, or
- the value of a specified property or other assets under a specified mortgage or other security at the time of recovery.

There's a chance we may lend the borrower more money later on, either under the original loan or a new one. This may be covered by the guarantee too.

If the guarantee covers a business loan, then you'll also be giving us an indemnity. This is an additional promise you make to pay us for loss we suffer in connection with the guarantee.

If your guarantee is limited to a dollar amount, an increase in the guaranteed loan amount, or an indemnity, will not change the maximum amount you may have to pay unless you agree.

If you own your own home

You may have to offer us your home or other property as security for your guarantee. If you do, and you end up owing us money as the guarantor, we could sell your home or other property. If there's any more money owing after the sale, it's still up to you to repay it, unless the guarantee says otherwise.

Even if you don't provide any security for your guarantee, you still risk losing your home. We may take legal action against you if you owe us money under the guarantee. That could lead to the sale of your home, or any other property you own.

By signing the guarantee you're making a very serious commitment which involves significant financial risk. Remember, you don't have to become a guarantor (while the loan may not be provided without the guarantee, you need to be sure before you commit to becoming a guarantor).

So what happens next?

Before we accept you as a guarantor, there are a few things to do.

- First, you'll need to confirm your identity and agree to our privacy policy.
- Any personal information that you have provided us may be used to help us assess your credit worthiness. This may include personal information you have recently provided us for the purposes of assessing you as a borrower.
- We'll then give you some important information about the borrower and the loan they're applying for, which may affect your decision to give the guarantee. This might include:
 - the final letter of offer provided to the borrower and a list of any related security contracts, such as mortgages
 - a credit report from a credit reporting agency
 - any financial accounts or statements of financial position provided by the borrower over the past two years to support their loan application
 - the latest statement of account relating to the loan for a period in which a notice of demand was made by us within the previous 2 years
 - whether we have given the borrower any notice of demand for the guaranteed loan, or any loan the borrower has (or has had) with us, within the previous 2 years
 - whether any existing loan we have given the borrower will be cancelled if the guarantee is not provided
 - any current credit-related insurance contract that is in our possession, and
 - if you ask us, a valuation of any commercial or agricultural real property provided as security by you or the borrower, where you or the borrower have paid or reimbursed us for that valuation – but only if the valuer agrees that we can give you a copy and you agree to any conditions that the valuer asks you to agree to.

Please note that, if you're becoming a guarantor as the sole director of a company borrower, or you're a commercial asset financing guarantor, or you're a trustee guarantor, then we may not give you some of the information above.

Please also note that, if you're becoming a director guarantor you can receive the same information and have the same time as any other guarantor or you can choose not to receive it. It is important information that may affect your decision to be a guarantor. We won't influence your choice to receive, or not receive, that information.

- Next we'll send you the guarantee so you can read it and get advice about it. We'll give you at least three calendar days to consider all the information we've given you. However, we can accept the guarantee earlier if you:
 - have obtained independent legal advice about it, or
 - are becoming a sole director guarantor, a commercial asset financing guarantor or a trustee guarantor.

Only then will we ask you to sign the guarantee. The guarantee will need to be signed before a qualified witness and the borrower or co-guarantor mustn't be with you.

Before you sign the guarantee

- Talk to a solicitor.
- Talk to your accountant, or other financial advisor – about the borrower's financial position and your own.

(But in both cases, don't bring the borrower along with you. It's important that you sign the guarantee and any security documents voluntarily and without influence from anyone else.)

- Ask yourself these questions:
 - Will the borrower be able to repay the loan on their own?
 - Does the borrower have any plans if their circumstances change and they don't repay the loan?
 - Am I prepared to repay the loan if the borrower doesn't?
 - Can I afford to repay the loan if the borrow doesn't?
 - Why am I signing the guarantee?
 - Is NAB relying on my income to repay the loan?
 - How will I benefit from giving the guarantee (and any supporting security) to NAB?
 - Will it change my ability to borrow now or in the future?
 - What would I do if my home was sold to repay the loan?

After you sign the guarantee

We will tell you

Unless you're a commercial asset financing guarantor, sole director guarantor or trustee guarantor, we'll give you the following information, about a borrower's deteriorating financial position as it relates to the loan you guarantee, within 14 days of the relevant event:

- a copy of any formal demand or default notice we send to the borrower after we send it
- a written notice if the borrower has advised us that they are experiencing financial hardship which has resulted in a change to their loan, and
- a written notice if the borrower is in continuing default for more than 2 months after the issuance of the default notice referred to above.

It's not too late to opt out

You can withdraw from the guarantee but you have to let us know in writing and it must be before we give any money to the borrower. Otherwise, you'll only be able to withdraw if the loan agreement is materially different to the one we gave you to read before signing.

You can limit what you owe

You can limit how much money you owe under the guarantee but, again, you have to let us know in writing. We can say no to your request if:

- the limit you suggest is less than what the borrower owes us
- we are already obliged to give more money to the borrower or enter into further arrangements with them, or
- more money, in excess of the limit you suggest, is necessary to enable us to protect the value of an asset which is security for a loan (this is, for example, where a house is under construction).

You can choose to end your financial obligations under the guarantee.

Whenever you want you can end your financial obligations under the guarantee by:

- paying us any money the borrower owes at the time (including any further amounts we're already obliged to provide the borrower but haven't yet provided, repayment of which is covered by your guarantee)
- paying us the maximum amount you're required to under the guarantee (if that ends up being less money), or
- suggesting another arrangement that we agree to.

How to make a complaint

If you have a problem or get into a dispute about something, you can get help by contacting NAB on 13 22 65, enquire via nab.com.au, or by visiting any NAB branch. We can give you information about how to make a complaint. For more details about our internal dispute resolution procedures, it's best to ask for a copy of our complaints resolution brochure.

If your concerns haven't been resolved to your satisfaction, you can lodge a complaint with the Australian Financial Complaints Authority (AFCA):

Website: afca.org.au

Email: info@afca.org.au

Telephone: 1800 931 678 (free call)

In writing to: Australian Financial Complaints Authority,
GPO Box 3,
Melbourne, VIC 3001

AFCA is an external dispute resolution (EDR) scheme to deal with complaints from consumers in the financial system.

AFCA provides fair and independent financial services complaint resolution that's free to consumers.

This information sheet contains information of a general nature. It's not intended to be relied on as advice of any particular matters. You should consult your advisors to understand how this information may apply to your circumstances.