

# Becoming a guarantor

This guide gives you important information about what it means to be a guarantor to help you understand the risks and responsibilities involved.



Becoming a guarantor is a big decision. We'll guide you through what to expect so that you can navigate the process with confidence. We recommend getting independent legal and financial advice to help you decide if being a guarantor is right for you.

## Understanding what it means to be a guarantor

### What is a guarantor?

A guarantor promises to step in and repay a loan if a borrower can't (or won't) make their repayments. By making this promise – known as a guarantee – a guarantor helps a borrower secure credit and get their loan approved.

### Is being a guarantor the same as being a co-borrower?

No, a **co-borrower** is someone who borrows money with someone else, with each co-borrower promising to repay the amount owed under the loan together or on their own.

A **guarantor** only becomes responsible for repaying us if the borrower hasn't met their obligations and we ask the guarantor to step in and repay what the borrower owes under the guaranteed loan.

### How do you become a guarantor?

The first thing we'll do is check your financial and credit history to see if you're suitable. We'll then give you information about the loan you're guaranteeing. You'll become a guarantor when you sign a guarantee, which is a legal document that outlines the promises you make to us as a guarantor.

Individuals who become a guarantor may also have the benefit of extra protections and rights under the following codes:

- **The Banking Code of Practice** which applies if the guarantee supports a borrower who is an individual or a small business. Find out more at [nab.com.au/bcop](http://nab.com.au/bcop) or on the Australian Banking Association's website at [ausbanking.org.au](http://ausbanking.org.au).
- **The National Credit Code** where the guarantee supports a borrower getting credit that's predominantly for personal, domestic or household purposes, or for the purchase or improvement of residential property. Find out more on the Australian Securities and Investments Commission website at [asic.gov.au](http://asic.gov.au).

### What's the most you might have to pay under a guarantee?

The guarantee will tell you the maximum amount you might have to pay, which could be:

- a **set amount or all amounts** owing under the loan you're guaranteeing, plus **interest, costs and other amounts** described in the guarantee, or
- an **amount equal to the value of any property or other assets** you've given us security over (for example, a mortgage on your home or a term deposit), plus **interest, costs and other amounts** described in the guarantee.

The maximum amount you have to pay under the guarantee won't change (unless you agree in writing), even if:

- The guarantee includes an indemnity. This is an additional promise you make to pay us for any losses we incur relating to the guarantee. The indemnity will be outlined in the guarantee.
- The guarantee covers variations to the loan and we lend the borrower more money later on.

## What happens if the borrower misses their repayments?

If a borrower can't meet their payment obligations and get their repayments back on track, we may need to take some formal steps, such as issuing a notice asking them to pay what's owing. If they aren't able to meet our request, the **whole amount owing** under the loan will become payable.

If the borrower still can't repay us, **we may ask you to step in** – which means you'll be responsible for the repayment. If you can't repay us, there may be significant consequences for you.

We'll always work with you to find alternative options, but it's important to understand what could happen.

- **If you've provided security as part of your guarantee:** You may have to sell your home or assets to meet your obligations. For example, if you've given us a mortgage over your home as security, you may have to sell your home to repay us, or we could step in to sell it. If there's still money owing after the sale, you'll have to repay the remaining amount, unless the guarantee says otherwise.
- **Even if you don't provide any security for your guarantee:** We may still need to take legal action against you, which might mean you still risk losing your home.

### Consider the financial risks

It's important to remember that becoming a guarantor could mean:



You may have to repay us what the borrower owes us



You may have to sell your property to repay us



It may impact your ability to borrow funds

**So before becoming a guarantor, make sure you understand the terms of the guarantee and loan you're guaranteeing, as well as your ability to make any repayments if you're required to.**





# Before you sign the guarantee

## Privacy and consent

The first thing we'll do is verify your identity and ask if you accept our Privacy Policy. Here are some important things to know:

<b>How will we use your personal information?</b>	Any personal information you give us may be used to help us assess your creditworthiness. This may include personal information you've recently given us to assess you as a borrower or guarantor.
<b>Will we share your personal information with the borrower?</b>	If your income will be used to help the borrower make the loan repayments and/or pay other expenses, some basic information about your financial position will be shared with the borrower during the loan application assessment. We'll give you more details when we ask you to agree to our Privacy Policy.
<b>What information will you receive from us?</b>	<p>Before we accept a signed guarantee from you, we'll give you information about the borrower's financial position and the loan you'll be guaranteeing, which may affect your decision to give the guarantee. This may include:</p> <ul style="list-style-type: none"><li>✓ A copy of the proposed guarantee</li><li>✓ The Letter of Offer or loan to be secured by the guarantee</li><li>✓ The terms and conditions, fees and charges that apply to the loan</li><li>✓ A list of any related security contracts, such as mortgages</li><li>✓ A credit report from a credit reporting agency (we may not give you this if the guarantee is for business lending)</li><li>✓ Any financial accounts or statements of financial position provided by the borrower over the last two years to support the loan application</li><li>✓ Information about whether we've given the borrower any notice of demand in the last two years</li><li>✓ The latest account statement for the guaranteed loan where we've given a notice of demand in the last two years</li><li>✓ Information about whether any existing loan we've given the borrower will be cancelled if the guarantee isn't provided</li><li>✓ Any current credit-related insurance contract we have</li><li>✓ Other information requested by you about the guaranteed loan, however we don't need to give you our internal opinions (for example, our credit assessments). If the National Credit Code applies to the loan you're guaranteeing, you can ask us for a copy of our assessment about whether the loan is suitable for the borrower.</li></ul>



## Meeting with us before we accept you as a guarantor

Before you sign the guarantee, we'll have a discussion about what it means to become a guarantor. It's important that we have this discussion without the borrower or anyone representing the borrower being present.



## Take some time to think it over

Remember, you don't have to become a guarantor – it's your choice. Before you commit:

1. Use our checklist to ask yourself some key questions
2. Talk to a solicitor
3. Talk to your accountant or financial advisor

### Checklist of key questions to ask yourself ☒

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



# Signing the guarantee



## When can we accept your signed guarantee?

We want to make sure you've had enough time to think things over before you commit. We'll only accept a signed guarantee from you if you've had **at least three days** to read the information we give you. However, we can accept you as a guarantor earlier, such as when:

- You receive independent legal advice about the guarantee.
- You're acting in different capacities. For example, you're giving the guarantee as a sole director or director of a corporate borrower, or you're signing as both borrower and guarantor – but you're signing as trustee in one of those roles.

You also have options if you want to withdraw, limit or end your obligations under the guarantee, which we explain on the next page.

# During the guarantee



## We'll tell you if the borrower's financial position deteriorates

We only share information with you that relates to your guaranteed obligations. Here's what we **can** tell you:

- ✓ How much the borrower owes under the loan and if payments are overdue.
- ✓ If the borrower has told us they're experiencing financial hardship which has resulted in a change to the guaranteed loan.
- ✓ If we send a formal demand or default notice to the borrower. We'll also let you know if the borrower continues to be in default.

Here's what we **can't** tell you:

- ✗ Information about the borrower's other loans with us, even if those other loans are in arrears.



## You can ask for help

If you experience financial hardship, we want to help you find a solution that's right for you. The kind of help we may offer can be different for a borrower than it is for a guarantor. For example, a guarantor can't apply for assistance that varies the terms of the borrower's loan, but we can explore options once you tell us the type of difficulty you're experiencing.

For more information about how we can help and how to apply, visit [nab.com.au/hardship](https://nab.com.au/hardship).



## You can raise concerns

If you're unhappy with anything during the process, we want you to get in touch.

For more details about resolving an issue or to download a copy of our Complaints Guide, visit [nab.com.au/feedback](https://nab.com.au/feedback). You can also ask for a copy at any of our branches.

While we aim to resolve any issues together first, if you feel something hasn't been resolved to your satisfaction, you can lodge a dispute with the Australian Financial Complaints Authority (AFCA). AFCA is a free and independent external dispute resolution service. For more information, visit [afca.org.au](https://afca.org.au).

# Changing or ending your obligations under the guarantee

Your obligations as a guarantor are continuing obligations – this means they'll remain in place until the loan's repaid or the guarantee's no longer needed by us.



## Withdrawing from the guarantee

You can let us know in writing if you want to withdraw from the guarantee. We'll accept your withdrawal as long as:

- we haven't given any money to the borrower under the guaranteed loan, or
- the loan agreement with the borrower is materially different to the one we gave you before you signed the guarantee. It's unlikely this will happen, as you should always get an exact copy of the loan agreement, but it's important to know you have this right.



## Limiting your obligations

At any time, you can write to us and ask us to limit or further limit the maximum amount you have to pay under the guarantee. We can say no to your limit request if:

- the limit you're requesting doesn't cover what the borrower owes us,
- we have to make further credit advances to the borrower, or
- we wouldn't be able to best protect the current value of an asset that secures the guaranteed loan without making further advances.



## Ending your obligations as a guarantor

At any time, 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,
- 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.

## Contact us

For more information

**visit [nab.com.au](https://nab.com.au).**

Call us on **13 22 65**

8am – 7pm AEST/AEDT Monday to Friday

9am – 6pm AEST/AEDT Saturday to Sunday

For people with **hearing or speech difficulties**, call us on **13 22 65** through the National Relay Service.

**If you do not speak English**, you can call us on **13 22 65** and say **I need an interpreter**. We'll get someone to help you.

Chat with us using **NAB Messaging** in the **NAB app**, **NAB Internet Banking** or on **[nab.com.au](https://nab.com.au)** by clicking the message icon.

Talk to us at your **local branch**.

For information on **accessible banking**, visit **[nab.com.au/accessibility](https://nab.com.au/accessibility)**.