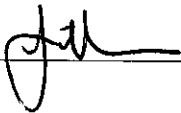


Hardship Policy

September 2016

Version History

Version	Date	Amendments	Changes made by
1	30/09/2016	New document	Directors
2	13/12/2017	General updates	Johanna Bloemendal
3	22/11/2018	Annual review	Johanna Bloemendal

<i>Discussed at Board meeting (date)</i>	28 Nov 2018
<i>Approved (Signed)</i>	

Policy

This policy and the hardship application process applies to loan contracts that are consumer credit contracts ie the loan is to a natural person and the purpose of the loan was wholly or predominantly for personal, domestic or household purposes, that is, not a trust or company.

Essentially a Borrower may be suffering Hardship if they are unable to meet their financial commitments. This situation may be foreseen by Southern Cross Partners (ie 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 Partners staff should direct the Borrower/Broker to follow Southern Cross Partners Limited's requirements found on our website under Unforeseen Hardship.

<http://www.southerncrosspartners.co.nz/loans/terms-and-costs/unforeseen-hardship/>
(see appendix 1)

Note that the CCCFA (Credit Contracts and Consumer Finance Act) has specific guidelines in respect to a Lenders 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 Partners Limited declining any such application.

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

- The borrower has suffered a hardship they couldn't reasonable have seen coming (unforeseen)

- As a result of that hardship, the borrower cannot reasonably meet their loan payments
- The borrower believes they would be able to 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 time period
 - Extending the term AND postponing the payments for a specified time frame

Person Responsible

The financial administrator is responsible for the co-ordination and implementation of the Hardship process, which includes:

- Obtaining required information from Borrowers
- The calling together of the Hardship Committee
- The Decision-Making Process
- Compliance with all of SCFL's Credit Policies
- Pricing and Terms

The Compliance Manager is responsible for:

- Ensuring that Staff are aware of their obligations regarding Hardship
- Ensuring that Staff know how to identify potential Hardship situations
- Ensuring that Staff are aware of the Hardship requirements and procedures for application

Training all staff at least annually, and training of all new staff within 2 weeks of joining Southern Cross Partners.

Procedure

- Southern Cross Partners Limited will receive Hardship requests, either directly from borrowers or through Brokers/Advisors. The application must be done in writing.
- The financial administrator will ensure appropriate Application / Financial Information / Reasons for the request / Any changes in borrowers' goals or requirements / changes in Exit Strategies are received
- The financial administrator will call a meeting of the Hardship Committee
- This meeting is to comprise of no less than 3 people, selected from the Credit Team / Management / Financial Administrator. One attendee must be the CEO and/or the Compliance Manager.

Credit Process

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

- 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 reasonableness of the Borrowers request. In particular, they should consider:

From Southern Cross Partners Limited's perspective

What are the consequences of deferring/delaying payments in respect to Southern Cross Partners Limited's security position?

From the Borrowers perspective

Is any deferral/delay in payments going to alleviate their issues, and ultimately put them into a better financial position?

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?

Is deferring/delaying payments the best outcome for the Borrower?

Is the request genuine or opportunistic to defer payments?

If, after considering all of the available information and the above factors (and any other relevant information), the decision is to:

Decline the request. Then the borrower/Broker/Advisor is to be advised, in writing, including the reasons for the decline. Borrower is to be advised of Southern Cross Partners Limited's Internal Disputes Process and External Dispute Resolution Service

Approve the request. The Borrower is to be provided with Loan Revision Documents if required.

Please Note that Southern Cross Partners Limited is entitled to request supporting information they consider necessary (eg Medical Certificates, etc)

Southern Cross Partners Limited is also entitled to condition any approval (eg Subject to confirmation that you have sought Budgeting Advice, etc)

Timeline:

Once a hardship application has been received, we must:

- Send a written (or email) receipt/acknowledgment to the borrower within 5 working days
- If any further information / documentation is required, this must be requested within 10 working days of receiving the application
- Once all the information has been received, the lender has 20 working days to provide a response of whether the application has been approved, or if not, and 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 Partners Limited 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

If the borrower does not meet the criteria or timeframes set out in the CCCFA, Southern Cross Partners will still comply with the lender responsibility principles and treat the borrower and their property reasonably and in an ethical manner.

Review

This policy will be reviewed regularly, and at least annually, to ensure this policy is relevant and details are current.

APPENDIX 1

WHAT TO DO IF YOU SUFFER UNFORESEEN HARDSHIP – CONSUMER CREDIT CONTRACTS

Making an application

If your loan contract is a Consumer Credit Contract then if you are unable reasonably to 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, 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 or not your loan is a consumer credit contract then please ask SCFG or your lawyer.

To apply for a hardship variation, you need to:

- a. make an application in writing; and
- b. explain your reason(s) for the application; and
- c. request one of the following:
 - o an extension of the term of the contract; or
 - o a postponement of the dates on which payments are due under the contract (specify the period for which you want this to apply); or
 - o both of the above; and
- d. 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 as long as you have not:

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

What SCFG will do

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

- a. Within 5 working days, send a written receipt or acknowledgement to you;
- b. Within 10 working days after receiving the application, send a written request to you for any further information relevant to the application;

- c. Within 20 working days after receiving the application, in accordance with 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.

If SCFG has requested further information from you, the timeframe for making the hardship changes is the later of 20 working days after making the request for information or 10 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:

- a. The likely duration of the unforeseen hardship and what steps, if any, you are taking to address it;
- b. Your credit history and any other matters relevant to an assessment of whether you can make repayments without substantial hardship;
- c. 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
- d. 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/

Dated 9 January 2018