

# Becoming a guarantor



Becoming a guarantor is a big decision that carries significant financial risk. This guarantor information sheet explains, in general terms, the duties and responsibilities of a guarantor. We strongly recommend that you obtain independent legal and financial advice. That way, you will have all the guidance that you need before you make a commitment.

## What is a guarantor?

A guarantor is someone who agrees to repay some or all of the outstanding debt under a loan if the borrower is unable to do so. When we assess whether a borrower can repay their loan, we may also rely on your commitment to provide financial assistance to the borrower so that they can make their repayments – however, that is separate to the promises you make to us as a guarantor.

If you choose to become a guarantor, you'll be signing a legal credit contract or letter of offer in which you agree to repay some or all of the loan if the borrower cannot meet the repayment conditions of their loan contract.

## How much money are you liable for?

Depending on the type of guarantee, it may cover all or specific loans that we give the borrower. The guarantee will set out the maximum amount you may be liable for, which could include:

- 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.

The guarantee may also cover future credit facilities and variations of the existing loan. Prior written consents will be obtained from all guarantors for variations to the guaranteed facility with no increase in lending and/or change in collateral.

New guarantees are required for additional advances, new or replacement facilities.

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, it will not change the maximum amount you may have to pay (unless you agree).

## If you have offered your home as security

If you offer us your home or other property as security for your guarantee and the borrower defaults on their loan, you may end up owing us money as the guarantor. Should we need to call upon your guarantee, we could sell your home or other property to recover the guaranteed amount owed. If the sale price isn't enough to cover what the borrower owes us, it's still up to you to repay the outstanding balance, along with interest and reasonable enforcement expenses, unless the guarantee says otherwise.

Even if you don't provide any security for your guarantee, you may 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**. We'll reassess the borrower's loan application and while we may not be able to provide the loan without a guarantee or an additional monetary contribution towards the purchase price, it's important for you to understand the risks before you commit.

## Before you become a guarantor

Some questions you may wish to consider before making a decision could include:

- Will the borrower be able to repay the loan on their own?
- Does the borrower have any plans in place if their circumstances change and they cannot repay the loan?
- Am I prepared to repay the loan if the borrower doesn't?
- Can I afford to repay the loan if the borrower doesn't?
- Why am I signing the guarantee?
- Is Suncorp relying on my income to repay the loan?
- How will I benefit from giving the guarantee (and any supporting security) to Suncorp Bank?
- Am I comfortable with how providing a guarantee will affect my ability to borrow now or in the future?
- Am I prepared if my assets were sold to repay the loan?

## Other things that you should know

- We **highly recommend** you seek legal and financial advice from an independent third party (i.e., not from the borrower's representative/s) to understand your obligations, risks and impact on your financial situation before providing a guarantee and any supporting security. In some circumstances we may require you to seek legal advice before we proceed with the guarantee.

- Regardless, you must have these conversations without the borrower present. It's important to consider your obligations under a guarantee and that you sign the guarantee and any security documents of your own free will and free from any outside influence or pressure.
- We will ask you to sign & return some forms to verify your identity and agree to our privacy policy.
- We may use any personal information that you have provided to help us assess your credit worthiness.

## What information will you receive?

We will give you some important information about the borrower(s) financial situation and the loan they're applying for, along with a Deed of Guarantee and Indemnity, and a Certificate of Understanding form for you to sign. This information may include:

- the proposed credit contract/letter of offer provided to the borrower and a list of any related security contracts
- any related credit report from a credit reporting body
- any financial accounts or statements of financial position the borrower has given us 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
- any notice of demand we have made on the borrower for the guaranteed loan, or any loan the borrower has (or has had) with us, within the previous 2 years
- if 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, you're a commercial asset financing guarantor, or you're a trustee guarantor, then we may not give you some of the above information.

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 same time as any other guarantor to consider your decision, or you can choose not to receive it. We won't influence your choice to receive, or not receive, that information.

## You can opt out

You are able to withdraw from the guarantee by letting us know in writing before the loan proceeds are provided to the borrower. Otherwise, you'll only be able to withdraw if the signed version of the credit contract or letter of offer is materially different to the one we gave you to read before the guarantee was signed.

## You can limit how much money you owe

You can request to limit the amount you are liable for under the guarantee by letting us know in writing. We can say no to your request if:

- You are seeking to reduce your liability under an existing guarantee to less than what the borrower owes to us;
- we are already obliged to make further advances or enter into further arrangements with the borrower; or
- we aren't able to determine the value of the security for the loan (such as a house under construction).

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

You can end your financial obligations under the guarantee at any time by:

- paying us any money the borrower owes at the time (including any further advances we're obliged to pay 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, or
- suggesting another arrangement that we agree to, in return for releasing you from your guarantee.