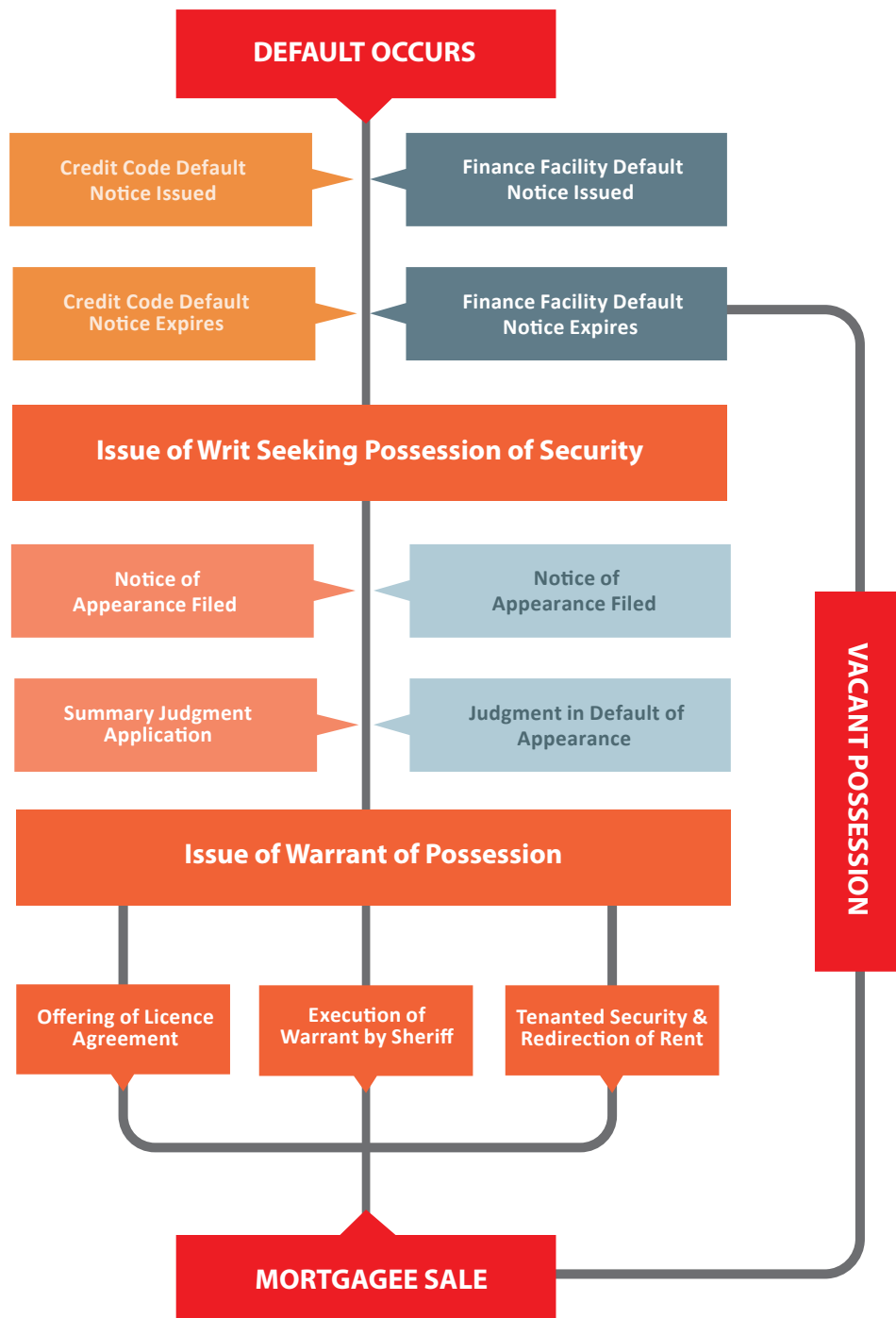




**AUSTRALIAN
SECURITIES**

Defaults and Possession Process

Defaults



In the event of a default, regulatory processes are in place to expedite the sale process and reduce the borrowers loss.

Once a borrower has exhausted all avenues, including having their circumstance reviewed by an external resolutions provider, it is in their best interests to agree to a professionally managed sale, to minimise the impact of growing arrears and repay their debt.

The following is a step by step guide illustrating the default process.

1. Default occurs - Interest or Principal due 15th not received by required date. If non payment of interest received by the cut off time set by ASL the mortgage usually proceeds into default by 22nd or 23rd day of month.

2. Credit Code Default Notice Issued - The Default Notice is required to be served on any credit code mortgage in default for non payment of interest and/ or principal. Pursuant to terms of mortgage ASL must provide the Borrower with 31 days to rectify the default & make payment of the amount specified in the default notice within that 31 day period. If an interest default has occurred the notice is usually issued on 22nd or 23rd day of month.

3. Finance facility Default Notice issued – The Default Notice is required to be served on any finance facility mortgage in default for non payment of interest and/ or principal on 15th day of that month. Pursuant to terms of mortgage ASL must provide the Borrower with 14 days to rectify

3. Finance facility Default Notice issued (cont.)

the default & make payment of the amount specified in the default notice within that 14 day period. If it is an interest default that has occurred the notice is usually issued on 22nd or 23rd day of month.

4. Credit Code Default Notice expires- Once the Default Notice expires without compliance on day 32 ASL (if no contact already made), will contact the borrower to discuss current default and ascertain if the Borrower has an unconditional resolution for remedy of the default and evidence of that unconditional remedy proposal to be provided ie unconditional loan approval, unconditional contract of sale or evidence to show they have funds to apply towards arrears & costs owing.

5. Finance Facility Default Notice expires - Once the Default Notice expires without compliance on day 15 ASL (if no contact already made), will contact the borrower to discuss current default and ascertain if the Borrower has an unconditional resolution for remedy of the default and evidence of that unconditional remedy proposal to be provided ie unconditional loan approval, unconditional contract of sale or evidence to show they have funds to apply towards arrears & costs owing.

6. Issue of Possession Action – if no unconditional evidence or any other agreement reached between the Borrower for remedy of default, the ASL Directors will provide instructions to proceed with the issue of a Supreme Court Writ seeking orders for possession of the security to allow them to proceed with a sale to repay the debt owing under the mortgage. Once the Writ is issued it is required to be personally served on the Borrower. The Writ is usually served within 7-10 days of its issue date if there are no complications or avoidance of service by the Borrower.

7. Vacant Possession – Pursuant to the Transfer of Land Act if a property is vacant the Mortgagee/ASL has a right to take vacant possession & proceed with an immediate sale – no court orders granting possession required. ASL would take vacant possession & engage agents to proceed with a sale.

8. Notice of Appearance Not Filed – Once the Writ is personally served on the Borrower, pursuant to the Court Rules they have 10 days to file an appearance in the proceeding. A Notice of Appearance is a document that basically indicates the Borrower may be filing a defence to the proceeding & contesting ASL's request for orders of Possession to be made. After the 10 days expires if no Appearance is filed ASL can proceed to enter judgment in default of appearance.

9. Notice of appearance filed – If the Borrower files a Notice of Appearance within 10 days from being served with the Writ this is an indication they may be defending the Court action. Pursuant to the Court Rules the Borrower then has 30 days from the date the Appearance is filed to file a Defence to the proceeding. Some Borrowers may file an appearance merely to stall the possession action and buy themselves more time.

10. Summary Judgment Application for orders of Possession - If an appearance is filed ASL in most cases will make an application to the Court advising the Borrower has no defence to the court action & seeking orders for Summary Judgment to be made ie orders for possession being granted now instead of waiting 30 days for the Borrower to file the defence. This application is usually listed for hearing within 3-4 weeks from the Appearance being filed. In most cases ASL will be granted orders for summary judgment and possession of the security at the first hearing as the Borrower doesn't have a defence to ASL's possession action.

11. Judgment in Default of Appearance – if no appearance is filed within the 10 days from the date of service of the Writ, ASL will apply to the Court for judgment to be made in default of appearance. Once Judgement in default is granted ASL will receive Orders from the Court confirming they have been granted possession of the security.

12. Warrant of Possession – Once ASL has obtained Orders from the Court confirming judgment for possession of the security they can proceed to issue a Warrant of Possession and forward it to the Sheriffs Office with a request for a date to be set for execution & possession to be undertaken.

13. Offering of Licence Agreement – In some instances ASL may enter a Licence Agreement with the Borrower. A Licence Agreement is provided on the basis that the Borrower agrees to co-operate with the sale by ASL. In exchange for their co-operation ASL will allow them to occupy the premises rent free during the sale process and they must then vacate 21 days prior to the settlement date for the sale. Note this is only offered in special circumstances and with the approval of the ASL Directors and its agents to ensure the continued occupation of the Borrowers at the security during the sale process will not affect the outcome of the sale.

14 Execution of Warrant by Sheriff – The Sheriff will usually set the warrant of possession for execution within 30-45 days from the date it is received by them. On the day of execution of the Warrant the Sheriff will attend the property with an ASL Representative to evict any occupant of the premises, change the locks to the property and hand possession to ASL.

15. Tenanted Security & Redirection of Rent – if the security is occupied pursuant to a Residential or Commercial Lease ASL will advise them that they are taking control of the property and request their cooperation to redirect rental payments to them. If the Tenant is co-operative with ASL's requirements & redirects rent, ASL is said to be in possession of the property & can proceed with a sale. If the Tenant does not co-operate ASL will proceed with the Warrant of Possession to have them vacated from the premises for breach of the lease terms & failure to redirect rent to ASL who is controlling the property.

16. Mortgagee Sale – ASL now has possession of the security and will appoint agents to proceed with a sale by way of auction. An auction date is usually set 5-6 weeks from the date ASL obtained possession. ASL instructs its property lawyers to commence preparation of the sale documents. ASL terms of sale are 10% deposit and 60 day settlement terms or less. Once the property is sold and settlement has been affected, all sale proceeds are applied to repay the debt owing under the mortgage which is 60 days or less from the date of sale. Once this has taken place any surplus sale proceeds are distributed to the Borrower upon execution of an unconditional deed of settlement confirming all matters under the mortgage have been finalised.

If you have any further queries regarding the Defaults process, please contact Australian Securities Limited on **(03) 9607 8111** or **1300 275 275** and ask for customer service.

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IMPORTANT INFORMATION: This information is provided by Australian Securities Limited ACN 005 428 231 AFSL & Credit Licence No 260499 (ASL, 'we', 'our' 'us') for Australian Securities Income Fund [ARSN 092 514 488] members outlining the Defaults process. This brochure explains the Default process and provides advice about the rights of a borrower as set out in the process. ASL, accepts applications from any of their borrowers if they are experiencing financial difficulty, regardless of whether or not their loan is regulated by the National Credit Code (NCC) or not. The Default process is implemented when the borrower has exhausted all their rights including the option to seek an external resolution and must repay their debt. Australian Securities Limited is an industry member of the Australian Financial Complaints Authority (AFCA). Membership fees paid to the AFCA ensures a level of Financial industry oversight and consumer protection. AFCA No. 10207. The advice set out herein should not be taken as legal advice. If you are a borrower it is recommended you seek legal counsel to understand your rights in the event of actionable default proceedings.



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