




## Credit Policy | Genuine Savings and Equity for Borrowers

	What	In cases where the Base LVR is above 90%, or for all applicants supported by a Home Guarantee Scheme, we need to confirm that the customer has <b>savings and/or equity</b> of at least <b>5% of the value of the security property</b> .												
	Why	This step in the verification process ensures that the customer is <b>unlikely to require additional funds</b> to complete the purchase and it also <b>safeguards transparency</b> .												
	How	<p>Below we've listed what we consider to be <b>acceptable vs. unacceptable savings and/or equity sources</b>. It's essential that a minimum <b>5%<sup>1</sup> savings and/or equity relative to the security value</b> is verified.</p> <p>At the date of the application, verify that the minimum required percentage of savings and equity meets the below criteria:</p> <ul style="list-style-type: none"><li>▶ Must be held in the name of the borrowers.</li><li>▶ Is in the borrowers account at the date of the application.</li><li>▶ Can be held in Australia or overseas.</li><li>▶ Was obtained from an acceptable source, as outlined in the below table</li></ul> <table><thead><tr><th>ACCEPTABLE SOURCES</th><th>UNACCEPTABLE SOURCES</th></tr></thead><tbody><tr><td><ul style="list-style-type: none"><li>▶ Funds/savings in a bank account</li><li>▶ Term Deposit</li><li>▶ Shares</li><li>▶ Gift from immediate family member<sup>2</sup></li><li>▶ Inheritance</li><li>▶ Sales of asset (other than property)</li><li>▶ Bonus (net) and tax refund in a bank account</li><li>▶ Equity in property</li><li>▶ Funds from First Home Super Saver Scheme (FHSSS) evidenced by ATO Request Release confirmation</li></ul></td><td><ul style="list-style-type: none"><li>▶ FHOG's</li><li>▶ Unsecured borrowings (e.g. personal loan)</li><li>▶ Builder's or vendor's rebate/incentive</li><li>▶ Proposed savings or rental purchase plan</li><li>▶ Savings not held in borrower/s accounts (including company/business accounts and accounts held in trust for applicants)</li><li>▶ Digital currency</li></ul></td></tr></tbody></table> <p><b>Notes:</b> Acceptable sources can be held in Australia or overseas. If the customer has a CommBank account there is no need to include statements – just provide their account number in the comments. For all other sources, ensure the statement and/or Internet banking transaction listing end date is no more than six weeks prior to application date and over a one month period. For deposits paid, ensure the origin of the funds is confirmed and fits with one of the acceptable sources.</p> <p>To provide evidence that the savings and equity have been held from an acceptable source, a 1 month statement is to be provided showing funds are held in the account. Providing the funds are from an acceptable source they do not need to be held in the bank account for the full month period.<sup>3</sup></p> <p><sup>1</sup>In cases where the loan is supported by the Family Home Guarantee, we need to confirm that the customer has <b>savings and/or equity</b> of at least <b>2% of the value of the security property</b>.</p> <p><sup>2</sup>Immediate family is defined as a parent or guardian, adult child, sibling, grandparent, aunts, uncles, former spouse or legally appointed guardian.</p> <p><sup>3</sup>E.g. A gift from an immediate family member is deposited into the customer's CBA account the day before the application is submitted and an unconditional gift letter is provided. As the funds are held in the account at the time of application and are from an acceptable source, the customer has met the savings and equity requirements.</p> <p><b>LAND AND CONSTRUCTION LOANS – EXAMPLE OF SAVINGS AND EQUITY</b></p> <p>For land and construction loans the savings and/or equity needs to be calculated on the <b>total cost</b>. If the land is owned by the customer and they're applying for a loan to construct a dwelling, equity in the existing land and/or additional acceptable savings can be considered when verifying savings and/or equity.</p> <p><b>For example:</b></p> <table><tbody><tr><td>Land value/OEV</td><td>\$200,000 (existing land loan balance \$190,500, equity held = \$9,500)</td></tr><tr><td>Fixed Price Building Contract</td><td>\$250,000</td></tr><tr><td>Total</td><td>\$450,000</td></tr><tr><td>5% Savings and Equity required (calculated on \$450,000)</td><td>\$22,500</td></tr></tbody></table>	ACCEPTABLE SOURCES	UNACCEPTABLE SOURCES	<ul style="list-style-type: none"><li>▶ Funds/savings in a bank account</li><li>▶ Term Deposit</li><li>▶ Shares</li><li>▶ Gift from immediate family member<sup>2</sup></li><li>▶ Inheritance</li><li>▶ Sales of asset (other than property)</li><li>▶ Bonus (net) and tax refund in a bank account</li><li>▶ Equity in property</li><li>▶ Funds from First Home Super Saver Scheme (FHSSS) evidenced by ATO Request Release confirmation</li></ul>	<ul style="list-style-type: none"><li>▶ FHOG's</li><li>▶ Unsecured borrowings (e.g. personal loan)</li><li>▶ Builder's or vendor's rebate/incentive</li><li>▶ Proposed savings or rental purchase plan</li><li>▶ Savings not held in borrower/s accounts (including company/business accounts and accounts held in trust for applicants)</li><li>▶ Digital currency</li></ul>	Land value/OEV	\$200,000 (existing land loan balance \$190,500, equity held = \$9,500)	Fixed Price Building Contract	\$250,000	Total	\$450,000	5% Savings and Equity required (calculated on \$450,000)	\$22,500
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Less equity in existing land	\$9,500 (as above)
Balance of Savings and Equity to be confirmed	\$13,000

**The borrower needs to meet a savings and equity requirement of \$22,500 with \$13,000 being from another acceptable source**

**FUNDS AND/OR EQUITY DOCUMENTATION**

Provide 1 of the following documents to show the funds/equity are from an Acceptable Source and verified over a one month review period prior to the date on the loan application:

- ▶ Savings or account statements/Internet banking transaction listing on CommBank or other financial institution stationery
- ▶ Passbooks with the CommBank or another financial institution
- ▶ Bank statements and/or Internet banking transaction listing which show all of the following:
  - The applicants name
  - Account number
  - Individual transactions itemised with a running account balance
  - The logo of the CommBank or other financial institution

Verify equity held in a property that isn't being contributed to the purchase by:

- ▶ Confirming property ownership is held in the applicant name via a rates notice or equivalent document
- ▶ Verify amount of debt against that property using a loan statement and/or Internet banking transaction listing
- ▶ Using an existing valuation, if held, or by adopting the owner's estimated value as provided in the application balance sheet
- ▶ Calculate the amount of equity held by deducting the loan balance from the value identified in the previous point

**Here is an example:**

OEV	\$500,000
Existing loan	\$421,500
Total equity	\$78,500

**Funds from First Home Super Saver Scheme (FHSSS)**

To verify FHSSS funds declared by the customer on their application using the following:

- ▶ Transaction account statement showing the funds have been credited
- ▶ ATO issued correspondence outlining:
  - ▶ Applicant's name
  - ▶ FHSSS released amount

Note: These funds do not need to be held in a bank account for a minimum of one month.

For Home Seeker applications only: you can accept an ATO FHSSS Determination Letter as evidence of the voluntary contributions made.

If usual requirements are not met; this includes applications supported by a Home Guarantee Scheme, a PCAA holder can consider: