

03.17 Serviceability Assessment

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1. About this policy

1.1 Why this policy?

Purpose	Serviceability assessment or capacity to service a loan/s forms one part of the unsuitability assessment as required under our Responsible Lending obligations. This policy identifies the standards for assessing serviceability.
Applicable to	Consumer mortgage applications where a borrower is seeking any of: <ul style="list-style-type: none"> • new loan • loan increase • loan variation activity requiring a serviceability assessment
Exclusions	This policy does not apply to a Bridging ICAP loan with no end debt
Associated policies	You may also need to refer to other lending policy rules, including but not limited to: <ul style="list-style-type: none"> • Commitments • Guarantees • Living Expenses • Validation of information provided by the customer • Verifying Income • If the application requires mortgage insurance, where required refer to: <ul style="list-style-type: none"> ◦ Lenders Mortgage Insurance

2. Rules you must apply

2.1 Debt Service Coverage Ratio

Definition	For consumer mortgage loans assessed in OBP, the borrower(s) and (any) income guarantor(s) capacity to service all debt is rated using the 'Debt Service Coverage' ratio measurement (DSC). Refer to 'Minimum DSC required'		
DSC Calculation	$\frac{(\text{Shaded Total Net Income} - \text{Total Expenses})}{(\text{Serviceability repayment amount used for existing commitments} + \text{new loans})}$		
'Total expenses' for the purpose of the DSC calculation	<ul style="list-style-type: none"> • Customer declared living expenses not comparable to HEM, plus • the higher of: <ul style="list-style-type: none"> • HEM or • HEM comparable declared living expenses 		
Minimum DSC required	Feature	Non- Mortgage Insured	Mortgage insured

	LVR ≤ 80%	1.00	1.00
	LVR > 80%	1.00	1.00
	Foreign income	1.15	N/A
	Student accommodation	1.25	N/A
	Building loan - Owner Builder	1.00	NA

2.2 Income

Only income from a borrower(s) or an income guarantor(s) can be used. Refer to [Eligibility](#) and [Guarantees](#).

Also refer to:

- [Verifying Income](#)
- [Eligibility](#)
- [Guarantees](#)

2.3 Living Expenses

Borrower(s) and income guarantor(s) are required to declare all household living expenses that are in place at the time of the application, as well as those which will be in place after settlement of their loan.

Also refer to:

- [Customer declared living expenses –compared to HEM](#)
- [Customer declared living expenses –not compared to HEM](#)
- [Living Expenses](#)
- [Guarantees](#)
- [Apportioned household expenses and shared commitments - Spousal same household](#)

2.4 Commitments

- The borrower(s) and any income guarantor(s) commitments are considered in serviceability.
- All existing commitments are to be reflected in the application, regardless of whether they are to be closed, reduced or continued after the loan activity being assessed

Also refer to:

- [Commitments](#)
- [Guarantees](#)

2.4.1 Default shared commitment rule

The 'Default shared commitment rule' requires 100% of a commitment amount and it's '[Serviceability Repayment Amount](#)' be included in the consumer mortgage application (aggregate) level serviceability assessment

- e.g. if a new loan / loan increase is in a sole name, but an existing commitment is held in joint / multiple names, the full amount of the existing commitment and it's associated '[Serviceability Repayment Amount](#)' must be applied against the sole borrower.

Where an **existing** commitment is shared with another borrower (i.e. more than 1 borrower on the **existing** commitment), serviceability may be assessed using either:

- Default shared commitment rule

OR

- [Apportioned household expenses and shared commitments - Spousal same household](#)
- [Apportioned shared commitment rule](#)

2.5 Apportioned household expenses and shared commitments and Apportioned shared commitments

2.5.1 Apportioned household expenses and shared commitments - Spousal same household

Definition	<p>This policy option allows the borrower's serviceability to be assessed using their apportioned share of:</p> <ul style="list-style-type: none"> • household living expenses (both HEM comparable and non – HEM comparable expenses), and • repayments for any existing shared commitments (i.e. debts / liabilities)
Eligibility	<ul style="list-style-type: none"> • The borrower's spouse must not be a borrower or income reliant guarantor on the consumer mortgage application being assessed, and • The borrower and the borrower's spouse must live at the same address, and • The only borrowers on any existing shared commitments must be the borrower and the borrower's spouse <p>This policy option is not available when:</p> <ul style="list-style-type: none"> • the application is processed outside of OBP, or • the existing commitment or proposed consumer mortgage application being assessed has a company co-borrower, or • borrowers on the existing shared commitment are not spouse only or do not fit the banks definition of a household, or • either borrower of the existing commitment or proposed consumer mortgage application being assessed earns foreign income <p>Where the borrower is not eligible for this policy, they may meet the requirements for the Apportioned shared commitments rule</p>
Apportioning the household living expense or commitment	<p>The portion of the expense or commitment repayment used in the serviceability assessment is based on the borrower's contribution to the total household income.</p> <p>i.e. calculating the borrower's income as a percentage of the total household income (i.e. borrower + spouse income), and applying that same percentage to the shared household living expenses and commitments.</p> <p>When OBP is the assessment tool, the apportioned household expenses and shared commitments calculations will be automatically completed (including HEM value). Lenders / assessors do not need to manually adjust the borrower's percentage ownership or amount of an expense or a commitment.</p>
Evidencing the borrower's contribution to the total household income	<ul style="list-style-type: none"> • The borrower's contribution to household income must be evidenced by verifying both the borrower and non-borrower's (borrower's spouse) income. • The non-borrower (borrower's spouse) must be verified using the following income verification method:

	<ul style="list-style-type: none"> PAYG must be verified using standard income verification policy. Refer to Verifying Income policy. Self Employed non-borrower must be verified using Fast Track self-employed assessment. The full Fast Track policy criteria applies. Refer to Self Employed Customers policy.
DTI	The entire commitment value (higher of balance/limit) is used in the DTI calculation (not the apportioned value)
HEM	The HEM band calculation is determined on total household income and does not change when using the apportioned household expense policy.
Verification	<p>The broker must:</p> <ul style="list-style-type: none"> Comply with Commitments policy Sight the non-borrower spouse privacy and consent, identification, and income verification documents AND: upload documentation (to OBP) confirming : <ol style="list-style-type: none"> The borrower's spouse resides at the same address as the borrower; and The name of the borrower's spouse matches the employee's name on the income documents used to verify the borrower's spouse income, including the ATO notice of assessment where the borrower's spouse is self-employed.
Related Serviceability Assessment policy	<ul style="list-style-type: none"> Default shared commitment rule Apportioned shared commitment rule Serviceability repayment amount Benchmark repayment amount – Mortgage <ul style="list-style-type: none"> Benchmark repayment amount calculation – New and existing internal mortgage Benchmark repayment amount calculation – External existing mortgage

2.5.2 Apportioned shared commitment rule

Definition	<p>This policy option:</p> <ul style="list-style-type: none"> allows the borrower's or income reliant guarantor's serviceability to be assessed using their apportioned share of repayments for an existing shared commitment (i.e. debts / liabilities)
Eligibility	<p>The borrower(s) or income guarantor(s) (WBC only) share an existing commitment with another borrower who is not:</p> <ul style="list-style-type: none"> The spouse of the borrower and not a co-borrower on the new loan or loan variation being assessed, or An income guarantor (WBC only) on the new loan or loan variation being assessed <p>Apportioned shared commitment rule is not available when:</p> <ul style="list-style-type: none"> the application is processed outside of OBP The new loan or shared commitment has a company co-borrower Foreign income is used in the serviceability assessment Any co-borrower / income guarantor (WBC only) of the shared commitment resides outside of Australia

	<ul style="list-style-type: none"> The existing commitment is shared between spouses only: <ul style="list-style-type: none"> If the borrower and non-borrower spouse reside at the same address, refer to Apportioned household expenses and shared commitments – Spousal same household policy. If the borrower and non-borrower spouse reside at different addresses, the borrower has to take on the full responsibility for both their own as well as the spouse's portion of the debt. 	
Calculation	The applicant's apportioned share of the commitment used in serviceability assessment is based on the highest of the below categories	
	Category	Description
	A. Repayment percentage	<p>The percentage of the total minimum required loan repayment that the borrower(s) or income guarantor(s) <u>plus</u> their spouse (if their spouse is not a party on the new consumer mortgage application or loan variation being assessed) are liable.</p> <p>This is a customer declared percentage.</p> <p>E.g. Existing borrowers = Borrower 'A' + Borrower 'A' Spouse (who is not a party on the new consumer mortgage application or loan variation being assessed) + Other borrower who is not a party on the new consumer mortgage application or loan variation being assessed.</p> <p>The declared repayment percentage for Borrower 'A' <u>plus</u> their spouse was 50%.</p> <p>Note: the declared percentage is below the borrower percentage in this scenario.</p>
	B. Borrower Percentage	<p>The borrower(s) or income guarantor (<u>plus</u> their spouse (if their spouse is not a party on the new consumer mortgage application or loan variation being assessed) as a percentage of total borrowers.</p> <p>E.g. Existing borrowers = Borrower 'A' + Borrower 'A' Spouse (who is not a party on the new consumer mortgage application or loan variation being assessed) + Other borrower who is not a party on the new consumer mortgage application or loan variation being assessed.</p> <p>Borrower 'A' <u>plus</u> their spouse represent <u>66.66%</u> of total borrowers (This percentage is based on the equal distribution of the commitment amongst all borrowers on the existing commitment)</p>
	C. Asset ownership percentage (Only applies	<p>The borrower(s) or income guarantor(s) <u>plus</u> their spouse's ownership of any assets securing the existing commitment</p> <p>This is a customer declared percentage</p>

	<p>where an asset secures the existing facility)</p> <p>E.g. Existing borrowers = Borrower 'A' owns 20% + Borrower 'A' Spouse owns 60% (if their spouse is not a party on the new consumer mortgage application or loan variation being assessed) + Other borrower who is not a party on the new consumer mortgage application or loan variation being assessed owns the remaining 20%.</p> <p>Borrower 'A' <u>plus</u> their spouse own <u>80%</u> of the asset securing the existing facility</p> <p>Note: in this scenario the asset ownership percentage is higher than the repayment percentage and the borrower percentage.</p>
Example	<p>Using the examples above, if:</p> <ul style="list-style-type: none"> 100% of the associated 'Serviceability Repayment Amount' under the 'Default shared commitment rule' is \$3,000, then the associated 'Serviceability Repayment Amount' if using the 'Apportioned shared commitment rule', would be \$2,400 using C. Assets ownership percentage of 80%, as this is the highest percentage in the above examples.
DTI	The entire commitment value (higher of balance/limit) is used in the DTI calculation (not the apportioned value)
Verification	<p>The broker must:</p> <ul style="list-style-type: none"> Comply with Commitments policy
Related Serviceability Assessment policy	<p>The commitment type must allow an apportioned serviceability repayment amount. To identify if the commitment is eligible to be apportioned, refer to following sections in this chapter:</p> <ul style="list-style-type: none"> Serviceability repayment amount Benchmark repayment amount – Mortgage <ul style="list-style-type: none"> Benchmark repayment amount calculation – New and existing internal mortgage Benchmark repayment amount calculation – External existing mortgage

2.5.3 Serviceability Repayment Amount

The *Serviceability Repayment Amount* is the repayment amount which is ultimately used within the serviceability assessment. The repayment amount is determined by the type of liability and can be either:

- Benchmark Repayment Amount* - refers to repayment value which has been calculated by the Bank for serviceability purposes only
- Customer Declared Contracted Repayment Amount* - refers to the contracted repayment amount for the commitment as declared by the customer
- The higher of the commitment **current** balance or limit is used in the *Benchmark Repayment Amount* calculation, except where the below apply:
 - [Commitment being refinanced using loan funds](#)
 - [Amended current commitment](#)
- Loans originated concurrently, or existing loans with a concurrent loan activity, it is important that the correct repayment is assigned to the associated liability in each application

Commitment Type	Benchmark Repayment Amount calculation	Serviceability Repayment Amount Monthly figure	Can <u>Apportioned shared commitment rule</u> be applied?	Additional rules / information
Business Commercial Bill (When held by a partnership, company, or trust)	<ul style="list-style-type: none"> Principal and Interest using <ul style="list-style-type: none"> Higher of actual interest rate plus buffer (1%) or floor rate 5.20% pa Term using the lower of <ul style="list-style-type: none"> Customer declared expected rolling term or Maximum default term (15 years) Higher of limit / balance Plus 12x monthly fees 	<ul style="list-style-type: none"> Benchmark repayment amount 	No	<ul style="list-style-type: none"> Only include in ApplyOnline if debt is in personal names. When the commitment is in the name of a company, partnership or trust, the commitment must be included in the Broker Serviceability Calculator with the self-employed income assessment
Business Credit Card (When held by a partnership, company, or trust)	3% of higher of limit / balance	Higher of: <ul style="list-style-type: none"> Customer Declared Contracted Repayment Amount Benchmark Repayment Amount 	No	<ul style="list-style-type: none"> The commitment must be included in the Broker Serviceability Calculator with the self-employed income assessment
Business Inter-entity loan	Where the borrower of the commitment is the entity N/A	Where the borrower of the commitment is the entity) Calculated repayment based on: <ul style="list-style-type: none"> Interest rate Remaining principal and interest term Verified balance 	No	Where the borrower of the commitment is the individual: <ul style="list-style-type: none"> Include the commitment in ApplyOnline using the applicable liability type (i.e. mortgage) Where the borrower of the commitment is the entity <ul style="list-style-type: none"> The commitment must be included in the Broker Serviceability Calculator with the self-employed

Commitment Type	Benchmark Repayment Amount calculation	Serviceability Repayment Amount Monthly figure	Can <u>Apportioned shared commitment rule</u> be applied?	Additional rules / information
				income assessment
Business Overdraft (When held by a partnership, company, or trust)	<ul style="list-style-type: none"> Higher of rate plus buffer (1%) or floor rate (6.50%) Higher of the limit or balance 	<ul style="list-style-type: none"> Benchmark repayment amount 	No	<ul style="list-style-type: none"> The commitment must be included in the Broker Serviceability Calculator with the self-employed income assessment
Business Tax Debt (When held by a partnership, company, or trust)	N/A	Calculated repayment based on: <ul style="list-style-type: none"> Interest rate Remaining principal and interest term Verified balance 	No	<ul style="list-style-type: none"> The commitment must be included in the Broker Serviceability Calculator with the self-employed income assessment
Business Term Loan	When held in an individual name: <ul style="list-style-type: none"> Principal and Interest using: <ul style="list-style-type: none"> Higher actual interest rate or 7.67% pa Remaining Principal and Interest term Higher of limit / balance When held by a partnership, company or trust: <ul style="list-style-type: none"> Principal and Interest using: <ul style="list-style-type: none"> Higher of actual interest rate plus buffer (1%) or floor rate 5.20% pa Maximum default term (7 years) 	When held in an individual name: <ul style="list-style-type: none"> Higher of customer declared / actual (internal liabilities) repayment or Benchmark Repayment Amount When held by a partnership, company, or trust: <ul style="list-style-type: none"> Benchmark repayment amount and Lower of declared principal and interest term or 7 years where 	Yes when the commitment is held in an individual name	<ul style="list-style-type: none"> Only include in OBP (as a "Business / commercial loan") if commitment is in personal names. When the commitment is in the name of a company, partnership or trust, the commitment must be included in the Broker Serviceability Calculator with the self-employed income assessment

Commitment Type	Benchmark Repayment Amount calculation		Serviceability Repayment Amount Monthly figure	Can Apportioned shared commitment rule be applied?	Additional rules / information
	<ul style="list-style-type: none"> Higher of limit / balance Plus 12x monthly fees 		the term has not been verified or <ul style="list-style-type: none"> Actual principal and interest term where the term has been verified 		
'Buy Now Pay Later' commitments from providers: <ul style="list-style-type: none"> Afterpay Laybuy Sezzle Deferit PayPal Payin4 Klarna PayItLater StepPay 	NA - as \$0 payment is applicable for serviceability purposes		\$0 payment is applicable for serviceability purposes	No	
'Buy Now, Pay Later commitments' from providers other than: <ul style="list-style-type: none"> Afterpay Laybuy Sezzle Deferit PayPal Payin4 Klarna PayItLater StepPay 	'Buy Now Pay Later - Fixed Term' Refer to Glossary	N/A	Customer Declared Contracted Repayment Amount	No	
	'Buy Now Pay Later - Revolving Term' Refer to Glossary	3.8% of higher of limit / balance	Benchmark Repayment Amount	No	
Cards (personal) which do not require full repayment each month May include: <ul style="list-style-type: none"> Credit cards Store cards Charge cards 	3.8% of higher of limit/balance		Higher of: <ul style="list-style-type: none"> Customer Declared Contracted Repayment Amount Benchmark Repayment Amount 		Brokers are not permitted to reflect a lower limit based on historical behaviour or exclude facilities for non-usage. Also refer to 'Cards with an active

Commitment Type	Benchmark Repayment Amount calculation	Serviceability Repayment Amount Monthly figure	Can Apportioned shared commitment rule be applied?	Additional rules / information
				'Flexible Payment Option (FPO)' limit'
Cards (personal) which do require full repayment each month May include: <ul style="list-style-type: none"> • Credit cards • Store cards • Charge cards 	NA - as \$0 payment is applicable for serviceability purposes	\$0 payment is applicable for serviceability purposes	NA - as \$0 payment applies for serviceability purposes	Also refer to: <ul style="list-style-type: none"> • 'Cards with an active 'Flexible Payment Option (FPO)' limit' • Commitments > Rules you must apply
Cards (personal) with an active 'Flexible Payment Option (FPO)' limit	3.8% of higher of Flexible Payment Option (FPO) limit /balance	Higher of: <ul style="list-style-type: none"> • Customer Declared Contracted Repayment Amount • Benchmark Repayment Amount 	Yes	Also refer to: <ul style="list-style-type: none"> • Commitments > Rules you must apply
Centrelink debt	N/A	Customer Declared Contracted Repayment Amount	No	Also refer to: <ul style="list-style-type: none"> • Commitments > Rules you must apply
Hire purchase	NA	Contracted Repayment Amount	Yes	
Leases	NA	Customer Declared Contracted Repayment Amount, being the contracted repayment amount for the finance portion of the lease Balloon payment is	Yes	

Commitment Type	Benchmark Repayment Amount calculation	Serviceability Repayment Amount Monthly figure	Can Apportioned shared commitment rule be applied?	Additional rules / information
		not included in serviceability, on the basis that balloon will be covered by the return of the asset at the end of the lease agreement		
Margin loans	1% pa of balance	Higher of: <ul style="list-style-type: none"> • Repayment Amount • Benchmark Repayment Amount 	Yes	<ul style="list-style-type: none"> • Margin loan statements dated within the last 2 months are required to confirm the balance used in calculating the repayment. • Any income from the share portfolio is to be verified in terms of the Verifying Income policy. • Refer Commitments > Rules you must apply
Mortgages (with a contracted term)	Refer to Mortgages - Serviceability Repayment Amount Note: OBP will calculate the repayments for the loan being sought			
Overdraft – personal / unsecured line of credit (non-mortgage) May include: <ul style="list-style-type: none"> • Flexi Loans (WBC Product) • Get Set loans (SGB / BoM / BSA Product) 	3.8% of higher of limit/balance	Higher of: <ul style="list-style-type: none"> • Customer Declared Contracted Repayment or • Benchmark Repayment Amount 	Yes	

Commitment Type	Benchmark Repayment Amount calculation	Serviceability Repayment Amount Monthly figure	Can Apportioned shared commitment rule be applied?	Additional rules / information
Personal loans	<ul style="list-style-type: none"> Principal and Interest using: <ul style="list-style-type: none"> 10.97% interest rate pa Remaining Principal and Interest term* Higher of limit/balance <p>*Where the term field is left blank, the remaining term will default to 12 months</p> <p>Note: In all cases, where there is a Balloon payment applicable, it will not be included in the Benchmark Repayment Amount calculation, on the basis that balloon amount will be covered by the return of the asset at the end of the loan agreement</p>	<p>Higher of:</p> <ul style="list-style-type: none"> Customer Declared Contracted Repayment Amount; or Benchmark Repayment Amount 	Yes	
Other loans	3.8% of higher of limit/balance	Benchmark Repayment Amount	Yes	
Rental expense or Board expense Refer to Glossary for definition of a: <ul style="list-style-type: none"> Boarder Renter <p>Note: In OBP outgoing rent / board is categorised as an expense (non-discretionary), refer Commitments ></p>	N/A	<p>The higher of either:</p> <ul style="list-style-type: none"> 100% of the actual monthly expense (it is acceptable for the declared amount to be equal to or greater than \$0) Notional Rent expense 	No	<p>Borrower will not be residing in the security collateral or a property they already own, after purchase or final drawdown.</p> <p>Note: When multiple tenants are on a lease, it is acceptable for the borrower's share of the actual monthly expense to be loaded as percentage of the</p>

Commitment Type	Benchmark Repayment Amount calculation	Serviceability Repayment Amount Monthly figure	Can Apportioned shared commitment rule be applied?	Additional rules / information
Confirm the details of the commitment, for verification requirements				total contracted rent. Excludes where rent / board expense is shared with a spousal partner (then the borrower and their spouse's combined ownership of the expense must be entered). Refer to Apportioned household expenses and shared commitments - Spousal same household policy and scenarios at the bottom of this table.
Secured Line of Credit (without a contracted term)	Refer to: <ul style="list-style-type: none"> • Mortgages - Serviceability Repayment Amount • Benchmark Repayment Amount - Mortgage 			
Store account	3.8% of higher of limit/balance	Higher of: <ul style="list-style-type: none"> • Customer Declared Contracted Repayment Amount • Benchmark Repayment Amount 	Yes	If the account must be cleared in full each month, the requirements are as per ' Cards which do require full repayment each month '
Study and Training Support Loans eg HELP, SSL, ABSTUDY SSL, TSL, SFSS, HECS	STSL Repayment Income multiplied by the corresponding STSL repayment rate 'Repayment Income' used for this calculation is: <ul style="list-style-type: none"> • Gross shaded declared taxable income less negative gearing deductions less the higher of (customer 	Benchmark Repayment Amount	No	<ul style="list-style-type: none"> • Any outstanding Study and Training Support Loans must be recorded as a commitment, even if the income level is insufficient to trigger a repayment amount. • Repayments are not to be

Commitment Type	Benchmark Repayment Amount calculation	Serviceability Repayment Amount Monthly figure	Can Apportioned shared commitment rule be applied?	Additional rules / information
	declared investment property costs or 10% of gross unshaded rental income)			deducted from income figures.
Tax Bill Refer to Glossary for definition	Not included in serviceability assessment as the payment is not yet due (it is a bill not a debt) Follow Commitments policy			
Tax Debt - Personal Refer to Glossary for definition	<p>Type A: A formal payment plan is in place with the Tax Office</p> <ul style="list-style-type: none">Assessed at 100% of the monthly commitment (per payment arrangement) where the payment/s are consistent in amount and frequency. Where this does not apply, assess as below <p>A 'standard' payment plan arrangement can also involve:</p> <ol style="list-style-type: none">a higher initial payment, e.g. 10% of the total debtremaining (excluding the final) payments of consistent frequency and amount e.g. \$198.83 per fortnighta final payment which is the lowest payment and sees the debt repaid in full, e.g. \$180.29 <p>In this case, the payment is assessed at 100% of the consistent payment (2. above), reflected as monthly</p> <p>If the payment plan arrangement differs to the above (e.g. every payment amount differs or payment frequency differs), the payment amount used for serviceability is to be the monthly average of all remaining payments</p> <p>Type B: A formal payment plan is NOT in place with the Tax Office No lending or approval (In Principle Approval) is available Follow Commitments > Rules > Tax Debt Type B-rules and verification</p>			
<p>Scenarios – Outgoing rent or outgoing board</p> <p>1. Where the borrower and their spouse (non-borrower on the new loan) rent a property together, then the total contracted rental amount and 100% ownership of the expense must be entered against the borrower. Where Apportioned household expense and shared commitments – Spousal same household policy is being utilised, you will need to include the entire rental outgoing amount as an expense. The system will automatically calculate the borrower’s percentage of the rental outgo to be used in the serviceability. Include notes in the application to describe the scenario clearly for the Assessor.</p> <p>2. Where the borrower and their spouse (non-borrower on the new loan), rent a property with 1 other person, then the borrower’s and their spouse’s share of the total contracted rent must be entered, e.g. 3 tenants on the lease, then the borrower’s and their spouse’s share of the rent is 66%. This can be entered against the borrower as:</p> <ul style="list-style-type: none">66% of the total contracted rental outgo amount and 100% expense ownership, orThe total contracted rental outgo amount and 66% expense ownership <p>Where Apportioned household expense and shared commitments - Spousal same household policy has been applied, the system will automatically calculate the borrower’s percentage of the rental outgo shared with their spouse, there is no requirement to manually calculate the borrower’s share of the rental</p>				

Commitment Type	Benchmark Repayment Amount calculation	Serviceability Repayment Amount Monthly figure	Can Apportioned shared commitment rule be applied?	Additional rules / information
<p>expense.</p> <p>3. The borrower and their spouse rent a property and are applying for a new loan in joint names. The total contracted rent may be loaded in full against either borrower, or split between both borrowers, providing the total contracted rental outgo is entered and the combined expense ownership reflects 100%. Apportioned household expense and shared commitments - Spousal same household policy does not apply in this instance as it is a joint borrower application.</p> <p>4. The borrower rents a property with 2 other people (non-spousal), who are not co-borrowers on the new loan application. It is acceptable to enter the borrower's share of the total contracted rent based on the number of tenants on the lease, e.g. 3 tenants on the lease, then the borrower's share of the rent is 33%. This can be entered as:</p> <ul style="list-style-type: none"> 33% of the total contracted rental outgo amount and 100% expense ownership, or The total contracted rental outgo amount and 33% expense ownership <p>5. The borrower and co-borrower (non-spousal) on the new loan application rent a property together and are both on the lease. An amount or expense ownership percentage equivalent to 50% of the total contracted rental outgo must be entered against each borrower, i.e. this can be entered as:</p> <ul style="list-style-type: none"> 50% of the total contracted rental outgo amount and 100% expense ownership against each borrower, or The total contracted rental outgo amount and 50% expense ownership against each borrower 				

2.5.4 Commitment being refinanced using loan funds

Scenario	Payment amount used for serviceability	Additional requirements
Any commitment is being cleared and closed using loan funds ¹	The payment is not included	<ul style="list-style-type: none"> The current commitment position (pre clearance) must be loaded in ApplyOnline The current commitment payment (pre clearance) must be loaded in ApplyOnline Refer Serviceability Repayment Amount <ul style="list-style-type: none"> Verification as per Commitments
Any commitment is being reduced using loan funds ¹	The payment on the lower limit can be used, if the reduction will result in a reduced payment	<ul style="list-style-type: none"> The current commitment position (pre reduction) and the resulting liability position (post reduction) must be loaded in ApplyOnline The resulting payment (post reduction) is to be loaded in ApplyOnline Refer Serviceability Repayment Amount <ul style="list-style-type: none"> Verification as per Commitments
Legend ¹ Refer to Eligibility policy which lists certain commitments which may not be cleared and closed,		

Scenario	Payment amount used for serviceability	Additional requirements
or reduced from loan proceeds, e.g. Tax Debts, Tax Bills and Margin Loans.		

2.5.5 Excluded mortgage liability

The 'Exclude Liability' option is only available:

- for new loans and loan increases
- for mortgage liabilities (internal or external)
- when the scenario, additional requirements and verification requirements detailed in the below table are met

Where serviceability is met without excluding the liability, this option does not need to be applied.

Scenario	Payment amount used for serviceability	Additional requirements	Verification requirements
A mortgage liability is to be cleared and closed independently ¹ by the customer via the associated property sale, after Unconditional Approval but prior to or simultaneous with drawdown/settlement	The payment is not included ²	<ul style="list-style-type: none"> • The current liability position (pre clearance) must be loaded in ApplyOnline • The current liability payment (pre clearance) must be loaded in ApplyOnline Refer Payment amount used for serviceability • The customer is required to confirm if the liability is to be cleared and closed: • from the sale of the associated property prior to the drawdown of the new loan/loan to be increased, or • from sale of the associated property via a 	<p>Evidence of the liability clearance is required after Unconditional Approval but prior to drawdown /settlement (or settlement booking)</p> <p>Internal liability² Internal systems may be used to evidence clearance, via one of the below methods:</p> <ul style="list-style-type: none"> • Loan account closure (e.g. for a loan to be closed before settlement/drawdown) • Settlement booking for excluded liability <p>Note: The settlement/drawdown date of the new loan or loan increase may not be prior to the expected settlement date of the excluded liability.</p> <p>External liability² Evidence clearance via one of the below methods:</p> <ul style="list-style-type: none"> • Loan account closure statement (e.g. for a loan to be closed before settlement/drawdown) • Settlement statement detailing expected

Scenario	Payment amount used for serviceability	Additional requirements	Verification requirements
		simultaneous settlement <ul style="list-style-type: none"> Assessment notes are to capture details of the discussion with the customer, including how the liability is to be cleared Load ApplyOnline with the current details of the facility and details of discussion with customer. 	settlement date and payment to that lender <p>Note: The settlement/drawdown date of the new loan or loan increase may not be prior to the expected settlement date of the excluded liability</p> <ul style="list-style-type: none"> Stamped letter from external financial institution confirming the loan closure (e.g. for a loan to be closed before settlement/drawdown)
Legend ¹ 'Independently by the customer' means that the customer is not using the loan funds to facilitate the clearance and closure or reduction			
² St George Bank Group and RAMS are considered to be external providers			

2.5.6 Amended current commitment

A current commitment position may only be amended:

- for new loans and loan increases
- when the scenario, additional requirements and verification requirements detailed in the below table are met

Scenario	Policy rule	Additional requirements	Verification requirements
'Buy Now Pay Later - Fixed Term' commitment / order, where its contracted clearance date is after Unconditional Approval but prior to drawdown / settlement Notes: <ul style="list-style-type: none"> This option is not available for 'Buy 	The repayment is not included	<ul style="list-style-type: none"> The current commitment balance must be loaded in ApplyOnline. The declared repayment can be loaded as \$0 in ApplyOnline. Enter application comments: <ul style="list-style-type: none"> explaining why the declared payment amount was entered 	Verification requirements must be met prior to Unconditional Approval: <ul style="list-style-type: none"> The contracted clearance date of each commitment/order is to be verified via any document³ from the provider which displays:

Scenario	Policy rule	Additional requirements	Verification requirements
<p>Now Pay Later - Revolving Term'</p> <ul style="list-style-type: none"> This option does not need to be applied where: <ul style="list-style-type: none"> <i>standard policy</i> allows the use of \$0 repayment serviceability is met on the current position 		<p>as \$0 confirming the contracted minimum payment amount</p> <ul style="list-style-type: none"> confirming how the contracted clearance date was evidenced 	<p>A. provider logo or name</p> <p>B. account / commitment identifier and/or account holder name</p> <p>C. evidence of the contracted clearance date (this may be evidenced via the number of payments remaining when the frequency of payments is known)</p> <p>If the document format is 'Written text within the body of an email'⁴:</p> <ul style="list-style-type: none"> B and C are required and the email must be issued from the provider's email system (not a public email address e.g. 'gmail') and the email must be sent directly from the provider to the Broker Remaining verification requirements as per Commitments Verification documentation must be imaged and held in the loan file

Scenario	Policy rule	Additional requirements	Verification requirements
<p>Any liability will be cleared and closed independently by the customer¹, prior to Unconditional Approval</p> <p>Note: This option does not need to be applied where:</p> <ul style="list-style-type: none"> <i>standard policy</i> allows the use of \$0 repayment serviceability is met on the current position 	The repayment is not included	<ul style="list-style-type: none"> The current commitment position (pre clearance) must be loaded in ApplyOnline The current commitment payment (pre clearance) must be loaded in ApplyOnline Closure must be verified prior to Unconditional Approval Assessment notes are to capture details of the discussion with the customer, including how the liability is to be cleared. 	<p>Verification requirements must be met prior to Unconditional Approval:</p> <p>Internal liability²</p> <ul style="list-style-type: none"> Comprehensive Credit Bureau Report (CCR) or Internal systems or document listed for external commitment may be used to evidence that the commitment has been closed. Verification documentation must be imaged and held in the loan file (excluding the CCR) <p>External liability²</p> <ul style="list-style-type: none"> Comprehensive Credit Bureau Report (CCR) or Any document³ from the provider which displays: <ul style="list-style-type: none"> A. provider logo or name B. account / commitment identifier and / or account holder name C. evidence that the commitment has been closed Where a document from a provider is used to confirm that the commitment has been closed, there is no requirement for this document to meet the maximum age of documents requirement for that document, i.e. the document may exceed 2 months If

Scenario	Policy rule	Additional requirements	Verification requirements
			<p>the document format is 'Written text within the body of an email'⁴:</p> <ul style="list-style-type: none">• B and C are required and• the email must be issued from the provider's email system (not a public email address e.g. 'gmail') and• the email must be sent directly from the provider to the Broker
<p>Any liability will be reduced independently by the customer¹, prior to Unconditional Approval</p> <p>Note: This option does not need to be applied where:</p> <ul style="list-style-type: none">• serviceability is met on the current position	<p>A payment on the lower limit can be used for serviceability if the reduction will result in a reduced payment</p>	<ul style="list-style-type: none">• The resulting liability position (post reduction) can be loaded in ApplyOnline• The resulting payment (post reduction) can be loaded in ApplyOnline• Reduced position must be verified prior to unconditional approval	<p>Verification as per Commitments must be met prior to Unconditional Approval</p> <p>Supporting evidence is to be obtained by the broker and submitted with the lending file.</p>
<p>Any liability will be cleared and closed or reduced independently by the customer¹, after Unconditional Approval but prior to drawdown/settlement AND It does not comply with a scenario detailed within this policy</p>	<p>The commitment may not be amended. Standard policy applies</p>		
<p>Legend</p> <p>¹ 'Independently by the customer' means the customer is not using the loan funds to facilitate the clearance and closure or reduction</p>			
<p>² SGB, BoM, BSA and RAMS are considered to be external providers</p>			

Scenario	Policy rule	Additional requirements	Verification requirements
³ Examples include but are not limited to: a statement, screen image, letter, email			
⁴ A standalone document attached to an email is not 'written text in the body of an email'. Refer to Document Standards > <i>Acceptable and unacceptable document formats, delivery methods and suppliers</i>			

2.6 Notional rent expense

Definition	Where a borrower or income guarantor: <ul style="list-style-type: none">• Will not be residing in the security collateral or a property which they already own after purchase or drawdown, a minimum notional rental amount will be applied to the serviceability assessment, refer to 'Borrower Type' in table below.• Will be residing in the security collateral or a property they already own after purchase or drawdown, notional rent will not apply. This includes where a property is under construction, and it will be occupied by the borrower(s) upon completion. Refer to Glossary for definition of a: <ul style="list-style-type: none">• Boarder• Renter		
Verification	Refer to Commitments policy > Customer commitments: <ul style="list-style-type: none">• Outgoing board• Outgoing rent		
Notional Rent Rule:			
Borrower Type	Residential status	Declared outgo	Rule
Individual Or Joint with non-spouse	Living with parents or other boarding arrangement	Borrower has declared \$0 or greater outgoing rent / board amount.	Notional rent WILL apply to each applicant and CANNOT be excluded from serviceability assessment. Serviceability will be assessed on the higher of: <ul style="list-style-type: none">• Verified actual (rent) / declared (board) monthly amount Or <ul style="list-style-type: none">• Notional Rent \$650.00pm applied
	Rental arrangement		
	Living with spousal partner ¹ <ul style="list-style-type: none">• Borrower lives in their spousal partner's home or a property rented solely by their spouse, and• borrower is not an owner or lessee of that property, and• spouse is not a co-borrower or income		

	guarantor (WBC only) on the loan		at an applicant level
Joint with spouse ¹	Living with parents or other boarding arrangement <ul style="list-style-type: none">Both borrowers living with the same parent(s) or in the same boarding arrangement	Borrowers have declared \$0 or greater outgoing rent / board	Notional Rent WILL apply at household level and CANNOT be excluded from serviceability assessment. Serviceability will be assessed on the higher of: <ul style="list-style-type: none">Verified actual (rent) / declared (board) monthly amount Or <ul style="list-style-type: none">Notional Rent \$650.00 per month applied at household level
	Rental arrangement <ul style="list-style-type: none">Both borrowers living in the same rental property		
	Living with parents or other boarding arrangement <ul style="list-style-type: none">Each borrower living at a different address, either with parents or other boarding arrangement		Notional Rent WILL apply to each applicant and CANNOT be excluded from serviceability assessment Serviceability will be assessed on the higher of: <ul style="list-style-type: none">Verified actual (rent) / declared (board) monthly amount Or <ul style="list-style-type: none">Notional Rent \$650.00 pm applied at an applicant level
	Rental arrangement <ul style="list-style-type: none">Borrowers are not living in the same rental property		
Legend	¹ Spousal partner / spouse = married or de facto		

2.7 Study and Training Support Loan Repayment Income Thresholds 2023-2024

Repayment Income Thresholds table	
Repayment Income	Repayment Rate
Below \$51,550	Nil

\$51,550 - \$59,518	1.00%
\$59,519 - \$63,089	2.00%
\$63,090 - \$66,875	2.50%
\$66,876 - \$70,888	3.00%
\$70,889 - \$75,140	3.50%
\$75,141 - \$79,649	4.00%
\$79,650 - \$84,429	4.50%
\$84,430 - \$89,494	5.00%
\$89,495 - \$94,865	5.50%
\$94,866 - \$100,557	6.00%
\$100,558 - \$106,590	6.50%
\$106,591 - \$112,985	7.00%
\$112,986 - \$119,764	7.50%
\$119,765 - \$126,950	8.00%
\$126,951 - \$134,568	8.50%
\$134,569 - \$142,642	9.00%
\$142,643 - \$151,200	9.50%
\$151,201 and above	10%

2.8 Household Expenditure Measure (HEM)

Definition	<p>The HEM, developed by the Melbourne Institute, represents a broad based estimated level of absolute basic and discretionary expenditure for modern Australian households and is produced Quarterly.</p> <p>The HEM is applied by the loan origination system and other serviceability assessment tools</p>
Used for	<p>It is an index used by the Bank to set the minimum surplus rule for serviceability.</p> <p>May be used for the allocation of living expenses within an application —</p>

	see Monthly Household Expenditure Measure Table
Categorised according to	<ul style="list-style-type: none"> • Borrower income band • Geographical location of the borrower's place of residence (including overseas residence) • Marital status • Number of dependants (<i>refer to Living Expenses policy</i>)
Rules	<ul style="list-style-type: none"> • The geographical location is based on the borrower's residential postcode post loan settlement - see Monthly Household Expenditure Measure - Geographic location. • The post settlement postcode is mandatory to calculate HEM. If the application is an In Principal Approval, the post settlement postcode is to be captured as accurately as possible. • Applicant's gross income for the HEM band is calculated based on the total: <ul style="list-style-type: none"> ◦ Gross annual salary / wages income (unshaded) plus ◦ Gross annual rental income (unshaded) less the higher of (customer declared investment property costs or 10% of gross unshaded rental income) less investment loan interest costs (where negative gearing has been used) plus ◦ All other gross annual income (unshaded)
Household definition	Refer to Glossary .

2.8.1 Monthly Household Expenditure Measure - Table

Minimum surplus requirements are set out below based on HEM Quarter information shown in the HEM Tables. Source: Melbourne Institute.

The HEM table includes a split by applicant's *household income, geographical location, marital status and number of dependants.

To manually calculate the HEM value:

1. Calculate

- Gross annual salary / wages income (unshaded) **plus**
- Gross annual rental income (unshaded) **less** investment property operating costs/expenses **less** investment loan interest costs (where negative gearing has been used) **plus**
- all other gross annual income (unshaded)

2. Determine if applicants post settlement postcode is classified as 'HEM Remote postcode' or not

3. To determine the applicable HEM value, go to the Monthly Household Expenditure Measure Table taking into account:

- Income as calculated above at step 1.
- Geographical location based on the applicant's post settlement postcode from step 3.
- Marital status
- Number of dependants*In the case of 'Joint with Spouse' applicants living in the same household, a combined HEM household income is used to determine the HEM band to be used. For other applicant's, the individual HEM household income is used to determine the applicable HEM band.

The table below provides details of how the HEM values apply.

Marital Status	Spouse's Status	HEM Table
Single / Divorced / Widowed / Separated / Undisclosed	N/A	Use table 1 (Single)
Married / De Facto	Spouse is neither a borrower or an income guarantor on the loan being assessed	Use table 2 (Joint)
	Spouse is a borrower or an income guarantor on the loan being assessed and living in the same household	Use table 3 (Joint with Spouse)
	Spouse is a borrower or an income guarantor on the loan being assessed and living in a different household	Use table 1 (Single)

[HEM tables](#)

For household incomes greater than \$630k gross per annum the loan origination system platform will extrapolate the HEM value using the following calculation:

- $(\text{Household Income amount} / \text{Mid-point of top HEM band}) \times (\text{Top band HEM value} - \text{Second Top band HEM value}) + \text{Second Top band HEM value}$.

2.8.2 Monthly Household Expenditure Measure - Geographic Location

[HEM Remote postcode listing](#)

Where postcode is listed treat as 'Remote Location' in HEM calculation.

Where postcode is not listed treat as 'Rest of Australia' in HEM calculation.

Overseas

Remote Location / Australian average postcode segregation does not apply and all overseas postcodes are treated as 'Rest of Australia'.

2.8.3 Customer declared living expenses –compared to HEM

For the purposes of assessing the borrower(s) and (any) income guarantor(s) capacity to repay the Bank, the higher of Household Expenditure Measure (HEM) and Customer Declared 'Living Expenses compared to HEM' per household will be used.

Refer to Living Expenses > [Living Expenses compared to HEM](#)

2.8.4 Customer declared living expenses are less than 70% of HEM

When the total of the borrower's declared 'Living Expenses compared to HEM' are less than 70% of HEM at application level, brokers / assessors must:

- Discuss the declared level of expenses with the applicant(s) noting that they appear relatively low. (Refer to [Living Expenses](#) > Conflicting information)
- For all expense categories, undertake any relevant / appropriate scrutiny of account or transactional information, and make further enquiries where any information is identified which conflicts with the customer declared expenses
 - Ensure any expense fields entered as \$0 had commentary added to explain why the expense does not apply to the applicants
- Record the outcome of these discussions with the applicant(s) in the loan origination system to document the rationale behind why the expenses are low. Refer to Rational examples below.

- It is not a requirement to obtain further supporting documents to specifically validate this information.

Rational examples

Satisfactory rationale examples	Unsatisfactory rationale examples
<p>Customer declared living expenses are < 70% of HEM, customer has confirmed expenses are low due to:</p> <ul style="list-style-type: none"> • currently focusing on saving for construction in the future • both applicants are working from home with scheduled breaks, they can pick and drop their kids to school which allow them to save from Out of School Hours Care (OSHC) costs • living at home with parents and do not pay any other insurances or utilities • confirmed with customer that Customer declared expenses are accurate to their everyday spending, review of information held supports conversation 	<ul style="list-style-type: none"> • Expense check complete • Discussed expenses with customer • Ok to proceed

2.8.5 Customer declared living expenses – not compared to HEM

Refer to Living Expenses > [Living Expenses compared to HEM](#)

Investment property costs - refer to [Living Expenses not compared to HEM](#) > Expense categories - Investment Property Costs (Including Insurance)

Where the serviceability assessment includes self-employed income, refer to [Self-employed Customers](#) > Self-employed assessment methods > Fast Track and Self-employed Customers > Rental income – Latest year and 2 year average methods

2.8.6 Investment Property Expense Floor

An investment property expense floor will be used for serviceability for residential properties that earn long term rental income.

The investment property costs used for serviceability will be assessed on the higher of:

- Customer declared investment property costs: OR
- 10% of Gross Rental Income

Investment Property Expense floor does not apply for:

- Short term rental income
- Defence Housing Authority (DHA) rental Guarantee
- NRAS security under a Head Lease structure
- Commercial properties

2.9 Reverse Mortgage Loans

Definition	<p>A reverse mortgage is designed for people aged over 60 years or older using the equity in the Owner Occupied property as security, to advance funds.</p> <p>The borrower is not required to make repayments, interest and fees compound and add to the principal amount borrowed. Normally the</p>
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	loan is repaid in full when the borrower (or deceased estate) sells the security.
Verification	<p>Applications involving an ongoing (not clearing or excluded) existing Reverse Mortgage loan must be referred to credit for acceptance. Credit manager referral is required to validate:</p> <ul style="list-style-type: none"> • That the repayment used for serviceability (being \$0 or Interest Only) is appropriate, taking into consideration: <ul style="list-style-type: none"> ◦ Whether the loan has matured ◦ Whether the loan will be maturing in the very near term ◦ Whether it is reasonable to extend further borrowing to a customer with an ongoing existing Reverse Mortgage Loan
Supporting Information	Detail explaining why the borrower is seeking additional borrowings as a standard loan product when they have an existing Reverse Mortgage loan
Supporting Documentation requirements	A copy of the associated loan contract is to be provided

2.10 Mortgages - Serviceability Repayment Amount

Reference/Acronym	Definition
LIR	Loan interest rate
Final Rate (New Loans)	<p>LIR that applies to a new (internal) consumer mortgage loan, and:</p> <ul style="list-style-type: none"> • Includes any life of loan rate adjustments or discounts, and • Excludes short term or honeymoon rates / discounts
Current Rate (Existing Loans)	<p>LIR that applies to an existing (internal or external) consumer mortgage loan at time of application, and may include:</p> <ul style="list-style-type: none"> • Any life of loan rate adjustments or discounts, or • Fixed / short term / honeymoon rates or discounts
Adjusted Current Rate	<p>The higher of the:</p> <ul style="list-style-type: none"> • Verified Current Rate, or • Minimum Current Rate
P&I	Principal and interest
PIF	Principal, interest and fees
IO	Interest Only
ICAP	Interest Capitalised
SAR	Serviceability Assessment Rate

2.10.1 Serviceability Assessment Rate (SAR) - Mortgage

For new and existing consumer mortgage products only, an interest rate buffer and floor rate are considered in the Benchmark Repayment Amount calculation applied to the mortgage commitment, and the interest rate applied is the Serviceability Assessment Rate (SAR).

Interest Rate	Policy rules	
Interest rate buffer	<p>The interest rate buffer is determined by the Bank; it reflects the potential for interest rate increases and seeks to ensure that potential increases in interest rates do not adversely impact on a borrower’s capacity to repay a consumer mortgage loan.</p> <p>Effective 29 October 2021 the interest rate buffer is 3.00% p.a.</p>	
Floor Rate Also known as 'Minimum Credit Assessment Rate (MCAR)'	<p>The Bank maintains a minimum floor rate which is used in conjunction with the interest rate buffer. The floor rate is the lowest benchmark rate that the Bank has set for assessing a customer’s ability to repay the consumer mortgage loan.</p> <p>Effective 9 October 2020 the floor rate is 5.05% p.a.</p>	
Minimum Current Rate	<p>Minimum Current Rate is determined by the Bank to reflect the minimum LIR that must be applied in the serviceability assessment, to an existing (internal or external) consumer mortgage loan. If the Current Rate is below this, then the Minimum Current Rate will automatically apply.</p>	
Serviceability Assessment Rate (SAR)	<p>SAR refers to the interest rate which is applied in the Benchmark Repayment Amount calculation</p>	
	<p>For new (internal) consumer mortgage loans, SAR is the higher of the:</p> <ul style="list-style-type: none">• Final Rate plus Interest Rate Buffer, <p>OR</p> <ul style="list-style-type: none">• Floor Rate	<p>For existing (internal or external) consumer mortgage loans, SAR is the higher of the:</p> <ul style="list-style-type: none">• Adjusted Current Rate plus Interest Rate Buffer, <p>OR</p> <ul style="list-style-type: none">• Floor Rate
	<p>Examples:</p> <ul style="list-style-type: none">• If the Final Rate or Adjusted Current Rate on the loan plus the interest rate buffer of 3.00% p.a. is less than the Floor Rate, then the Floor Rate is applied as the SAR.• If the Final Rate or Adjusted Current Rate on the loan plus the interest rate buffer of 3.00% p.a. is greater than the Floor Rate, then the Final Rate or Adjusted Current Rate on the loan plus the interest rate buffer is applied as the SAR	
<p>Note: A modified SAR may be applied to applications to refinance an existing mortgage (internal or external), where the application meets all eligibility criteria and conditions under Streamlined Refinance</p>		

2.10.2 Benchmark Repayment Amount - Mortgage

The Benchmark Repayment Amount is used as the Serviceability Repayment Amount for mortgages. The below table details the assessment period, interest rate (SAR) and repayment method used in the

Benchmark Repayment Amount calculation applied by OBP for mortgages.

Benchmark Repayment Amount calculation – New (internal) mortgage(s)					
Scenario	Condition	Assessment Period	Interest Rate (SAR)	Commitment amount	Repayment method
P&I Loan (Variable)		Remaining Total Loan Term	Higher of: <ul style="list-style-type: none"> Final Rate plus Interest Rate Buffer Floor Rate (MCAR) 	Higher of: <ul style="list-style-type: none"> Balance, or Limit 	P&I
P&I Loan (Fixed)	Remaining Total Loan Term is greater than Remaining Fixed Term	Remaining Total Loan Term	Higher of: <ul style="list-style-type: none"> Final Rate using Variable P&I ILR plus Interest Rate Buffer Floor Rate (MCAR) 	Higher of: <ul style="list-style-type: none"> Balance, or Limit 	P&I
P&I Loan (Fixed)	Remaining Total Loan Term is equal to Remaining Fixed Term	Remaining Total Loan Term	Higher of: <ul style="list-style-type: none"> Final Rate using Fixed P&I LIR plus Interest Rate Buffer Floor Rate (MCAR) 	Higher of: <ul style="list-style-type: none"> Balance, or Limit 	P&I
IO Loan (Variable)	Remaining Total Loan Term is greater than Remaining IO Term	Remaining Total Loan Term minus Remaining IO Term	Higher of: <ul style="list-style-type: none"> Final Rate using Variable P&I LIR plus Interest Rate Buffer Floor Rate (MCAR) 	Higher of: <ul style="list-style-type: none"> Balance, or Limit 	P&I
IO Loan (Variable)	Remaining Total Loan Term is equal to Remaining IO Term	Remaining Total Loan Term	Higher of: <ul style="list-style-type: none"> Final Rate using Variable IO LIR plus Interest Rate Buffer Floor Rate (MCAR) 	Higher of: <ul style="list-style-type: none"> Balance, or Limit 	P&I
IO Loan (Fixed)	Remaining Total Loan Term is greater than Remaining IO Term	Remaining Total Loan Term minus Remaining IO Term	Higher of: <ul style="list-style-type: none"> Final Rate using Variable P&I LIR plus Interest Rate Buffer Floor Rate (MCAR) 	Higher of: <ul style="list-style-type: none"> Balance, or Limit 	P&I

Benchmark Repayment Amount calculation – New (internal) mortgage(s)					
Scenario	Condition	Assessment Period	Interest Rate (SAR)	Commitment amount	Repayment method
IO Loan (Fixed)	Remaining Total Loan Term is equal to Remaining IO Term Remaining Fixed Term is equal to Remaining IO Term	Remaining Total Loan Term	Higher of: <ul style="list-style-type: none"> Final Rate using Fixed IO LIR plus Interest Rate Buffer Floor Rate (MCAR) 	Higher of: <ul style="list-style-type: none"> Balance, or Limit 	P&I
IO Loan (Fixed)	Remaining Total Loan Term is equal to Remaining IO Term Remaining Fixed Term is less than Remaining IO Term	Remaining Total Loan Term	Higher of: <ul style="list-style-type: none"> Final Rate using Variable IO LIR plus Interest Rate Buffer Floor Rate (MCAR) 	Higher of: <ul style="list-style-type: none"> Balance, or Limit 	P&I
Bridging Loan - New Where Bridging loan is not 'new' refer to 'Bridging / Relocation – Existing ' Note: any residual (ongoing) liability is to be assessed separately	ICAP Note: I/O not available via OBP	NA	NA	Higher of: <ul style="list-style-type: none"> Balance, or Limit 	\$0 The loan and capitalised interest is to be repaid by property sale proceeds
Bridging / Relocation	ICAP or	No lending or approval (including 'In Principle Approval') is available if the application involves an existing Bridging Loan that is not being cleared using			

Benchmark Repayment Amount calculation – New (internal) mortgage(s)					
Scenario	Condition	Assessment Period	Interest Rate (SAR)	Commitment amount	Repayment method
<p>- Existing</p> <p>Note: Any residual (ongoing) liability is to be assessed separately</p>	I/O	<p>loan funds (refinance) or customer funds prior to drawdown of the new loan (non-refinance).</p> <p>For a clearing Bridging / Relocation loan (ICAP or I/O), refer to:</p> <ul style="list-style-type: none">• Commitment being refinanced using Loan funds > Any liability is being cleared and closed using loan funds• Excluded mortgaged liability > A mortgage liability is to be cleared and closed independently by the customer via the associated property sale, after Unconditional Approval but prior to or simultaneous with drawdown / settlement• Amended current commitment > Any liability will be cleared and closed independently by the customer, prior to Unconditional Approval			

Benchmark Repayment Amount calculation – Existing (internal or external ¹) mortgage(s)						
Scenario	Condition	Assessment Period	Interest Rate (SAR)	Commitment amount	Repayment method	Eligible for an apportioned Serviceability Repayment Amount? Must also meet the 'Apportioned shared commitment rule'
P&I Loan	Fixed or Variable	Remaining Total Loan Term	Higher of: <ul style="list-style-type: none"> Adjusted Current Rate plus Interest Rate Buffer Floor Rate (MCAR) 	Higher of: <ul style="list-style-type: none"> Balance, or Limit 	P&I	Yes
IO Loan	Remaining Total Loan Term is greater than Remaining IO Term	Remaining Total Loan Term minus Remaining IO Term	Higher of: <ul style="list-style-type: none"> Adjusted Current Rate plus Interest Rate Buffer 	Higher of: <ul style="list-style-type: none"> Balance, or Limit 	P&I	Yes

	Fixed or Variable		<ul style="list-style-type: none"> Floor Rate (MCAR) 			
IO Loan	Remaining Total Loan Term = Remaining IO Term Fixed or Variable	Remaining Total Loan Term	Higher of: <ul style="list-style-type: none"> Adjusted Current Rate plus Interest Rate Buffer Floor Rate (MCAR) 	Higher of: <ul style="list-style-type: none"> Balance, or Limit 	P&I	Yes
Secured Line of Credit	If no contracted term	240 months	Higher of: <ul style="list-style-type: none"> Adjusted Current Rate plus Interest Rate Buffer Floor Rate (MCAR) 		P&I	Yes
Secured Line of Credit Loan	With a contracted term	Remaining Total Term	Higher of: <ul style="list-style-type: none"> Adjusted Current Rate plus Interest Rate Buffer Floor Rate (MCAR) 	Higher of: <ul style="list-style-type: none"> Balance, or Limit 	P&I	Yes
Reverse Mortgage Loan	ICAP	NA	NA	NA	\$0	NA
Reverse Mortgage Loan	IO Non ICAP	NA	Higher of: <ul style="list-style-type: none"> Adjusted Current Rate plus Interest Rate Buffer Floor Rate (MCAR) 	Higher of: <ul style="list-style-type: none"> Balance, or Limit 	IO	Yes

Secured Overdraft	Secured by a consumer mortgage loan security	NA	Higher of: <ul style="list-style-type: none">Adjusted Current Rate plus Interest Rate BufferFloor Rate (MCAR)		IO	Yes
Bridging Loan	ICAP or I/O (non - ICAP)	<p>No lending or approval (including 'In Principle Approval') is available if the application involves an existing Bridging Loan that is not being cleared using loan funds (refinance) or customer funds prior to drawdown of the new loan (non-refinance).</p> <p>For a clearing Bridging loan (ICAP or I/O), refer to:</p> <ul style="list-style-type: none">Commitment being refinanced using Loan funds > Any liability is being cleared and closed using loan fundsExcluded mortgaged liability > A mortgage liability is to be cleared and closed independently by the customer via the associated property sale, after Unconditional Approval but prior to or simultaneous with drawdown / settlementAmended current commitment > Any liability will be cleared and closed independently by the customer, prior to Unconditional Approval				
Legend ¹ SGB, BoM, BSA and RAMS are considered to be external providers						

2.11 Parental leave – use of 'return to work' income

Definition	When a borrower or income guarantor is currently on, or about to commence parental leave, we can use their 'return to work' income for serviceability, provided the requirements are met.
Exclusions	Any other extended leave like Grandparental Leave or Career Breaks are ineligible.
Condition	Requirement
In all cases where 'return income' is to be used for serviceability	<p>An employer's letter is held which:</p> <ul style="list-style-type: none"> Meets Document Standards of 'Employer's letter - general use', and Displays: <ul style="list-style-type: none"> The return to work date. Conditions under which the employee will return, i.e. Full time or Part time Return to work income as per the 'Document Standards' of 'Employer's letter-general use' Only 'Base income' can be used in the serviceability assessment

	<ul style="list-style-type: none"> • Include all children as dependants in OBP. (Including where the expected child(ren) has / have not yet been born, noting this is a variance to the "Definition of Dependant" rules in the Living Expense policy). • Any supporting documents provided are required to be retained in the loan application.
Where the loan will be advanced and the first repayment is due after the return to work date	<p>For Mortgage insured and Non-mortgage insured loans</p> <ul style="list-style-type: none"> • Use 'Return to Work' income i.e. reflecting the gross 'base' income amount which will be received once returning to work.
Where the loan will be advanced and the first repayment is due before the return to work date	<p>For Mortgage insured loans:</p> <ul style="list-style-type: none"> • Requests for new or increased loans for purposes of "Investment" are not acceptable. <p>All other requirements as per below</p> <p>For both Mortgage insured and Non-mortgage insured loans:</p> <p>The following is required to calculate any servicing shortfall prior to the return to work:</p> <ul style="list-style-type: none"> • The expected settlement date (mandatory); and • Any income that is currently, or will be received during the parental leave period must be verified to policy, refer Verifying Income; and The number of weeks that the income will be received during the parental leave period; and • The 'Return to Work' gross 'base' income amount that will be received once returning to work and the return-to-work date. <p>Where a servicing shortfall amount is evident, the Broker must:</p> <ul style="list-style-type: none"> • Confirm how the shortfall will be covered whilst during the parental leave period; and • Verify that sufficient funds are held to cover the shortfall via supporting documents (e.g. bank statement / transaction listing from external provider¹, internal extract or enquiry). The shortfall must be covered in addition to any funds required to fund the application. The supporting documents provided must meet Document Standards; and • Enter comments into ApplyOnline detailing the explanation and the evidence used to confirm how the shortfall will be met, prior to return to work.
<p>Legend</p> <p>¹ SGB, BoM, BSA and RAMS are considered to be external providers</p> <p>Note: If the applicant is seeking to manage existing home loans, Mortgage Repayment Pause Option or switching to Interest Only repayments may better suit the customer's situation.</p>	

2.12 Rental income tax deductions for Australian investment properties (Negative Gearing)

Definition	Generally negative gearing occurs when a rental property's expenses (including interest) are greater than income earned from the rental property.
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	The Australian tax system allows individuals with rental properties that are negatively geared, to deduct the loss against other income (e.g. PAYG income).	
Serviceability	<ul style="list-style-type: none"> The use of negative gearing in serviceability is not mandatory 	
Eligibility	Negative gearing can be included in the serviceability assessment under the following conditions:	
	Feature	Condition
	Application type	Available for both non-mortgage insured and mortgage insured loans
	Employment type	<ul style="list-style-type: none"> Available for both PAYG and Self Employed customers
	Income	<ul style="list-style-type: none"> The applicant's income must be subject to Australian taxation law, i.e. applicant is ordinarily resident in Australia and Loan serviceability must not be assessed using the Self-Employed fast track process unless the rental income commenced after the financial years covered by the ATO NOA. Refer to Self-employed Customers > Self-employed assessment methods > Fast Track
	Applicable to the negatively geared loan:	Interest Rate
		The actual current interest rate must be used in the negative gearing calculation
		Borrower
		The deduction can only be applied to an applicant who is a borrower on the loan which is being negatively geared
	Loan purpose	<ul style="list-style-type: none"> The loan must be / have been taken out for the purpose of investing in residential real estate For both an existing mortgage or the new loan, negative gearing benefits can be included when all or part of a loan is for the purpose of investing in the specific rental property negative gearing is being applied to
		Deductible loan amount Only the loan portion used for investing in the specific rental property negative gearing is being applied to can be used. The customer must declare the amount of the loan that is eligible or that is already being negatively geared The amount of negative gearing used <ul style="list-style-type: none"> May include: <ul style="list-style-type: none"> the purchase price of the property

			<ul style="list-style-type: none"> any associated costs in obtaining the investment property (e.g., stamp duty and legal costs). <u>Must be the lower of</u> the customer declared deductible loan amount or the actual loan balance
		Verification	As per Commitments policy
	Residential property that the negative gearing applies to		<ul style="list-style-type: none"> The percentage of tax deduction for Bank serviceability purposes that an applicant may claim is based on their share of property ownership. The property securing the loan must not be vacant land The property must have rental income verified in line with policy and used in the serviceability assessment The property must be owned by an individual (not a partnership, company or trust including an individual as trustee for (ATF)) When the property is rented on a short term basis, a rental income tax deduction / negative gearing can only be applied in serviceability when the property is already owned and the rental schedule confirms the property was rented / available for rent, for the full 52 weeks of the financial year. Also see Verifying Income policy > Supplementary Income > Rental income (in AUD) Rent received on a short term basis.
	Rental arrangement		The rental income cannot be from a National Disability Insurance Scheme (NDIS), Specialist Disability Accommodation (SDA) property
	Construction Loans (internal) with progress payments attached		<ul style="list-style-type: none"> Where a property is under construction and the loan is not yet fully drawn, OBP will consider the lower of the approved limit (fully drawn), the current balance or the deductible balance in the negative gearing calculation. When serviceability is not met due to no negative gearing benefit, where the loan is not yet fully drawn, the application may be referred to Credit with a manual servicing assessment reflecting the negative gearing benefit based on the approved limit (fully drawn) of the construction loan

2.13 Serviceability Assessment: Changes to financial circumstance

As part of our responsible lending obligations, it is required to ask the customer about potential changes to their financial position over the next three years that would adversely affect their ability to meet their financial obligations under the loan.

Where such a change is expected, the customer is required to disclose:

- The nature of the change (see below)
- Their plans for continuing to meet the loan repayments (see below)

Nature of the change

The nature of change must be captured using the following declaration:

Declaration question to customer
<p>Nature of Change</p> <ul style="list-style-type: none"> • Is extended unpaid leave (e.g. maternity) the nature of the expected change? • Is end of contract/loss of employment the nature of the expected change? • Is reduced income the nature of the expected change? • Is retirement the nature of the expected change? • Is leaving employment the nature of the expected change? • Is medical treatment/illness the nature of the expected change? • Is increase in debt repayments the nature of the expected change? • Is large expenditure the nature of the expected change? • Is the nature of the expected change none of the above, reflected here as Other? <p>Plans to meet loan repayments</p> <ul style="list-style-type: none"> • Will you continue to make repayments using savings? • Does the information captured in the application already reflect the anticipated change? • Will you continue to make repayments by securing additional income? • Will you continue to make repayments by reducing expenditure? • Will you continue to make repayments by the sale of other assets? • Will you continue to make repayments by the sale of your principal residence? • Will you continue to make repayments by other means?

Approval

- Applications require approval from a Credit (or other authorised CAL holder) where:
 - The customer advises that such a change is expected, **and**
 - The application does not already reflect the change to the customer's financial situation (i.e. the application has not been assessed on the basis of the change)
- All submissions to Credit for approval must include justification for the override request.

2.14 Debt To Income (DTI) Ratio

Loan assessment measure 'Debt To Income Ratio' assists Westpac Group to apply responsible lending practices in assessing a customer's ability to service existing and proposed debts.

2.14.1 DTI Ratio Calculation

Measure	Definition
Debt	<p>Total of the higher of limit / balance of all borrower and Income Reliant Guarantor's new and existing liabilities excluding:</p> <ul style="list-style-type: none"> • Hire purchase, Leasing, Other Liabilities • Any liabilities being cleared and closed in the submission, whether by customer or loan funds

	<ul style="list-style-type: none"> Bridging Loans (applies to new or existing, internal or external, IO or ICAP repayments) <p>Where a debt is being:</p> <ul style="list-style-type: none"> deducted in the submission, whether by customer or loan funds, the New limit is used in lieu of the Current Limit for DTI calculation apportioned, the entire commitment value (higher of balance/limit) is used in the DTI calculation (not the apportioned value) <p>e.g. Debt = \$500,000</p>
Income	<p>Total gross unshaded annual income from borrower/s and income guarantor (WBC only)</p> <p>(including gross rental income and all other income types)</p> <p>e.g. Income= \$65,000</p>
DTI Ratio Calculation	<p>Debt ÷ Income</p> <p>e.g. \$500,000 (Debt) ÷ \$65,000 (Income)= 7.69 DTI ratio</p>

2.14.2 High DTI Ratio - Commentary and Referral to Credit

OBP will return a DTI ratio Credit referral rule where:

- the DTI ratio is equal to or greater than seven (7) and less than ten (10) **and**:
 - the LVR is greater than 80%, **and/or**
 - LMI applies
- the DTI ratio is equal to or greater than ten (10).

In all instances where the DTI ratio is equal to or greater than seven (7), brokers/assessors must provide appropriate notes and comments in their submission to the effect that:

- They have discussed the level of debt to income with the borrower(s) noting the debt level appears relatively high
- They have identified any specific circumstances that are contributing to the high DTI result, such as other income not able to be included in the DTI calculation
- Where any other policy rules have been triggered in addition to DTI, that valid mitigants can be demonstrated
- They have validated the customers' ability to meet repayments on the proposed loan noting the high DTI ratio
- They have documented any other relevant rationale to support why the deal should still be approved

Where the application triggers a Credit referral, Credit will review the application with consideration applied to:

- the notes and comments in the submission
- the LVR, level of monthly surplus, credit history (including anything adverse on their credit bureau) and level of income
- any other policy exceptions or rules triggered

2.15 Judgemental assessment

Some customers may exhibit circumstances where their financial situation needs to be considered as an exception by Credit (or other authorised CAL holder).

Change History

Amendment number	Amendment issue date	Description of changes
1	3 November 2021	First OBP issue online for Brokers on the OKA platform.
2	10 November 2021	Links updated
3	10 November 2021	Buffer Rate updated as per policy change 29 October 2021. APRA direction to increase the interest rate buffer from 2.5% to 3.0%
4	21 November 2021	<ul style="list-style-type: none"> • <u>STSL repayment income threshold table updated to reflect the ATO income thresholds and rates for 2021 – 2022</u> • <u>Added 4 new BNPL providers, PayPal Payin4, Klarna, PayItLater, StepPay</u> • <u>Updated the Customer declared Living Expenses not compared to HEM with the following</u> <u>Where the serviceability assessment includes self-employed income, Refer to Self-employed Applicants > Rental income – Fully verified self-employed assessment and Rental income – Fast track self-employed assessment</u> • <u>Updated the scenarios In the "Rental income tax deductions for Australian investment properties (Negative Gearing) section.</u> • <u>HEM Updates for Quarter 2, 2021</u>
5	20 February 2022	<p>Change 1 HEM Updates for Quarter 3, 2021</p> <p>Change 2 Section - 2.12 Rental income tax deductions for Australian investment properties (negative gearing) Editing correction from 'Generically, negative gearing occurs when...' to 'Generally, negative gearing occurs when....'</p> <p>Change 3 Commitments > Serviceability repayment amount > commitment type > Personal loan has been updated to reflect that servicing will now be assessed on the higher of customer declared contracted repayment amount or Derived repayment. Old – serviceability repayment amount monthly figure Customer Declared Contracted Repayment Amount New – serviceability repayment amount monthly figure Higher of: <ul style="list-style-type: none"> • The customer declared contracted repayment amount, or • Derived repayment (based on the higher of the limit or balance, remaining P&I term* and benchmark interest rate) *Where the term field is left blank, the remaining term will default to 12 months. Note: In all cases, where there is a Balloon payment applicable, it will not be included in the derived repayment calculation, on the basis that balloon amount will be covered by the return of the asset at the end of the loan agreement</p>
6	3 April 2022	Updated section 2.5.1'Default changed commitment' rule (deleted text highlighted in bold below). Change made to align with policy change approved on 22 Nov 2020 (as per historical governance section), when

Amendment number	Amendment issue date	Description of changes
		<p>apportioned shared commitment became available for LMI (subject to credit approval at that time):</p> <ul style="list-style-type: none"> Where serviceability fails due to the 'Default shared commitment rule', the 'Apportioned shared commitment rule' may be considered if the loan does not require Lenders Mortgage Insurance Updated section '2.5.2 Apportioned shared commitment rule': <ul style="list-style-type: none"> Removed 'Be aware that when the loan requires mortgage insurance, if the 'Apportioned shared commitment rule' has been utilised Credit review is mandatory.' Credit review is no longer required.
7	22 May 2022	<p>Change 1 Updated section 'Serviceability Repayment Amount' relating to Personal Loans:</p> <ul style="list-style-type: none"> Moved details of the 'derived' repayment amount calculation from 'Serviceability Repayment Amount Monthly Figure' column to the 'Benchmark Repayment Amount' column, and included the interest rate of 10.97% pa for visibility- this is a clarification only change, reflecting the existing calculation Updated 'Serviceability Repayment Amount Monthly Figure' column to specify that the figure used is the higher of 'Customer Declared Contracted Repayment Amount' or 'Benchmark Repayment Amount'. This is a clarification only change, reflecting existing rules and made to support the change detailed above <p>Change 2 HEM Updates for Quarter 4, 2021</p> <p>Change 3 New sub chapter heading added 2.8.6 Customer declared living expenses are < 70% of HEM. As a result of the new sub chapter heading, other sections may have been renumbered. Content moved under existing heading 2.8.5 Customer declared living expenses compared to HEM Wording update for 2.8.6 Customer declared living expenses are < 70% of HEM</p>
8	17 July 2022	<p>Change 1</p> <ul style="list-style-type: none"> Updated section 'Rules > Serviceability Repayment Amount': <ul style="list-style-type: none"> Split the existing 'Buy Now, Pay Later commitments' from providers other than Afterpay, Laybuy, Sezzle, Deferit, PayPal Payin4, Klarna, PayItLater, StepPay' into two sub-categories with unique rules: <ul style="list-style-type: none"> 'Buy Now Pay Later-Fixed Term' –serviceability assessed using the 'Customer Declared Contracted Repayment Amount' 'Buy Now Pay Later-Revolving Term'- serviceability assessed using a 'Benchmark Repayment Amount' of 3.8% of the higher of limit/balance <p>Note: both of the above previously had:</p> <ul style="list-style-type: none"> <ul style="list-style-type: none"> a 'Benchmark Repayment Amount' calculation applied of 'Outstanding balance% remaining term plus fees' serviceability assessed using the higher of the 'Benchmark Repayment Amount' or the 'Customer Declared Contracted Repayment Amount' Updated section 'Rules > Amended current commitment': <ul style="list-style-type: none"> Updated the existing scenario 'Buy Now Pay Later' commitment / order, where its contracted clearance date is after Unconditional Approval but

Amendment number	Amendment issue date	Description of changes
		<p>prior to drawdown / settlement' :</p> <ul style="list-style-type: none"> Changed scenario name to 'Buy Now Pay Later-Fixed Term' commitment / order, where its contracted clearance date is after Unconditional Approval but prior to drawdown / settlement Added a note 'This option is not available for 'Buy Now Pay Later- Revolving Term' <p>Change 2</p> <ul style="list-style-type: none"> Updated section Parental Leave – use of 'return to work' income" <ul style="list-style-type: none"> Moved policy specific rules from notes section of the table to the requirements section To reflect the new process requirements to enable OBP to calculate any servicing shortfall during the parental leave period Clarified the requirements for verifying the source of any shortfall during the parental leave period Updated section 'Credit' to refer to Parental Leave – use of 'return to work' income where the applicant is seeking to use return to work income and/or will be on a reduced income due to pending parental leave Updated section Frequently asked questions to remove duplicated FAQ
9	26 July 2022	<p>Change 1 Updated Section 2.9 Bridging / Relocation and Reverse Mortgage Loans</p> <ul style="list-style-type: none"> Changed heading to 'Reverse Mortgage Loans' Removed information relating to Credit referral requirements for ongoing existing 'Bridging / Relocation' loans. Credit referral is no longer required, as no lending or approval (including 'In Principle Approval') is permitted for ongoing existing 'Bridging / Relocation' loans <p>Change 2 Updated section 2.9.1 Bridging / Relocation and Reverse Mortgage Loan – supporting documentation and information:</p> <ul style="list-style-type: none"> Changed heading to 'Reverse Mortgage Loan – supporting documentation and information' Removed information relating to ongoing existing 'Bridging / Relocation' loans . Supporting documents are no longer required, as no lending or approval (including 'In Principle Approval') is permitted for ongoing existing 'Bridging / Relocation' loans Deleted section 'Existing Bridging / Relocation loan: Asset Value'. Asset value assessment is no longer required, as no lending or approval (including 'In Principle Approval') is permitted for ongoing existing 'Bridging / Relocation' loans <p>Change 3 Section 2.10.2 Benchmark Repayment Amount</p> <ul style="list-style-type: none"> Updated table 'Benchmark repayment amount - New and existing internal mortgage': <ul style="list-style-type: none"> Separated scenarios into Bridging Loan - New (ICAP) and Bridging / Relocation Loans - Existing (ICAP and IO (non- ICAP)). Policy rules for Bridging Loan – New (ICAP) are unchanged Removed Bridging Loans – new (IO) as they cannot presently be originated by OBP, i.e. only ICAP product is available Added a new rule for Bridging / Relocation Loans – existing (ICAP and IO (non ICAP)), to specify that no lending or approval (including 'In Principle Approval') is available if the application involves an existing Bridging Loan that is not being cleared using loan funds (refinance) or customer

Amendment number	Amendment issue date	Description of changes
		<p>funds prior to drawdown of the new loan (non-refinance). Included links to the policy rules relating to clearing loans</p> <ul style="list-style-type: none"> Updated table 'Benchmark repayment amount - External existing mortgage': <ul style="list-style-type: none"> Separated scenarios into 'Reverse Mortgage IO Loan, 'Reverse Mortgage ICAP Loan' and 'Bridging Loan (ICAP or IO (non-ICAP)' Policy rules for 'Reverse Mortgage IO Loan, 'Reverse Mortgage ICAP Loan' are unchanged Added a new rule for 'Bridging Loan (ICAP or IO (non- ICAP)', to specify that no lending or approval (including 'In Principle Approval') is available if the application involves an existing Bridging Loan that is not being cleared using loan funds (refinance) or customer funds prior to drawdown of the new loan (non-refinance). Included links to the policy rules relating to clearing loans
10	21 August 2022	<p>Change 1</p> <ul style="list-style-type: none"> Updated section Study and Training Support Loan (STSL) Repayment Income Thresholds with 2022-2023 income thresholds <p>Change 2</p> <ul style="list-style-type: none"> Updated HEM table update - attached HEM table for Q1 2022 <p>Change 3</p> <ul style="list-style-type: none"> Updated references to the 'Minimum Document Standards Matrix'. The matrix has been superseded, with all matrix rules transferred into the main body of the 'Document Standards' chapter. Existing references have been updated to point to the 'Document Standards' chapter Updated references to match sub-section name changes made within the 'Document Standards' chapter <p>Change 4</p> <p>Update section DTI referral to Credit to remove reference to Bridging Loans, i.e:</p> <p>From</p> <ul style="list-style-type: none"> They have identified any specific circumstances that are contributing to the high DTI result, such as a bridging loan or other income not able to be included in the DTI calculation Any specific drivers of high DTI such as bridging loans or other income not able to be included in the DTI calculation <p>To</p> <ul style="list-style-type: none"> They have identified any specific circumstances that are contributing to the high DTI result, such as other income not able to be included in the DTI calculation Any specific drivers of high DTI such as other income not able to be included in the DTI calculation
11	2 October 2022	<p>Change 1</p> <ul style="list-style-type: none"> Updated section 'DTI Calculation' to remove 'Study and Training Support Loans (STSL)' as an excluded liability type for DTI ('STSL' now included in DTI) <p>Change 2</p> <ul style="list-style-type: none"> Updated section 'Serviceability Repayment Amount' to include a link to 'Commitments > Process to Follow' for the commitment types: <ul style="list-style-type: none"> Margin Loans Cards <p>Change 3</p> <p>Update to content in 2.2 Debt service coverage ratio</p>

Amendment number	Amendment issue date	Description of changes																																														
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LVR > 80%	<ul style="list-style-type: none"> 1.00 if LMI exemption applies under Special Packages (Medico, Proloan, Staff loans), otherwise: Not applicable 	1.00																																														
Foreign income	1.15	NA																																														
Serviced apartment, hotels and student accommodation	1.25	NA																																														
Building loan - Owner Builder	1.00	NA																																														
DSC Table																																																
Feature	Minimum DSC																																															
	No LMI	With LMI																																														
LVR ≤ 80%	1.00	1.00																																														
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Foreign income	1.15	NA																																														
Student accommodation	1.25	NA																																														
Building loan - Owner Builder	1.00	NA																																														

Amendment number	Amendment issue date	Description of changes										
		<p>Change 4</p> <p>Policy clarification – impacted section 2.12 Rental income tax deductions for Australian investment properties (negative gearing) > Serviceability > Scenario table</p> <p>Old</p> <table><tr><td>Investment property owned by an entity</td><td rowspan="2">Not eligible to use rental income tax deduction / negative gearing for serviceability assessment Refer to Self-employed applicants policy > rules you must apply > Rental income - Fully verified self-employed assessment.</td></tr><tr><td>Entity is the borrower</td></tr></table> <p>New</p> <table><tr><td>Investment property purchased by an entity</td><td rowspan="2">Not eligible to use rental income tax deduction / negative gearing for serviceability assessment Refer to Self-employed applicants policy > rules you must apply > Rental income - Fully verified self-employed assessment .</td></tr><tr><td>Entity is the borrower</td></tr></table> <p>Change 5</p> <p>Policy clarification – impacted section 2.12 Rental income tax deductions for Australian investment properties (negative gearing) > Eligibility table > Feature</p> <p>Old</p> <table><tr><td>Rental arrangement</td><td><ul style="list-style-type: none">• The investment property must not be rented on an intermittent basis. This includes but is not limited to:<ul style="list-style-type: none">◦ Holiday homes◦ Snow lease◦ Serviced apartments• The rental income cannot be from a National Disability Insurance Scheme (NDIS), Specialist Disability Accommodation (SDA) property</td></tr></table> <p>New</p> <table><tr><td>Rental arrangement</td><td><ul style="list-style-type: none">• The rental income cannot be from a National Disability Insurance Scheme (NDIS), Specialist Disability Accommodation (SDA) property</td></tr></table> <p>Change 6</p> <p>Updated section ‘ Why this policy?’:</p> <ul style="list-style-type: none">• Included words and link highlighted in bold a servicing (variation) activity requiring a serviceability assessment	Investment property owned by an entity	Not eligible to use rental income tax deduction / negative gearing for serviceability assessment Refer to Self-employed applicants policy > rules you must apply > Rental income - Fully verified self-employed assessment.	Entity is the borrower	Investment property purchased by an entity	Not eligible to use rental income tax deduction / negative gearing for serviceability assessment Refer to Self-employed applicants policy > rules you must apply > Rental income - Fully verified self-employed assessment .	Entity is the borrower	Rental arrangement	<ul style="list-style-type: none">• The investment property must not be rented on an intermittent basis. This includes but is not limited to:<ul style="list-style-type: none">◦ Holiday homes◦ Snow lease◦ Serviced apartments• The rental income cannot be from a National Disability Insurance Scheme (NDIS), Specialist Disability Accommodation (SDA) property	Rental arrangement	<ul style="list-style-type: none">• The rental income cannot be from a National Disability Insurance Scheme (NDIS), Specialist Disability Accommodation (SDA) property
Investment property owned by an entity	Not eligible to use rental income tax deduction / negative gearing for serviceability assessment Refer to Self-employed applicants policy > rules you must apply > Rental income - Fully verified self-employed assessment.											
Entity is the borrower												
Investment property purchased by an entity	Not eligible to use rental income tax deduction / negative gearing for serviceability assessment Refer to Self-employed applicants policy > rules you must apply > Rental income - Fully verified self-employed assessment .											
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Rental arrangement	<ul style="list-style-type: none">• The investment property must not be rented on an intermittent basis. This includes but is not limited to:<ul style="list-style-type: none">◦ Holiday homes◦ Snow lease◦ Serviced apartments• The rental income cannot be from a National Disability Insurance Scheme (NDIS), Specialist Disability Accommodation (SDA) property											
Rental arrangement	<ul style="list-style-type: none">• The rental income cannot be from a National Disability Insurance Scheme (NDIS), Specialist Disability Accommodation (SDA) property											

Amendment number	Amendment issue date	Description of changes					
12	20 November 2022	<p>Change 1 Updated HEM table – attached HEM table for Q2 2022 Update to wording in section 2.8.3 Month Household Expenditure Measure – Table Old wording For household incomes greater than \$574k gross per annum the origination system will extrapolate the HEM value using the following calculation: New wording For household incomes greater than \$584k gross per annum the origination system will extrapolate the HEM value using the following calculation</p> <p>Change 2 Updated section 2.5.3 Serviceability Repayment Amount for Hire purchase commitment type: Old wording Customer Declared Contracted Repayment Amount New wording Contracted Repayment Amount</p> <p>Change 3 New content added to section 2.12 rental income tax deductions for Australian investment properties (Negative Gearing) > Eligibility table > Feature > Property Type Old wording The property securing the loan must not be vacant land</p> <p>The property must have rental income entered and verified in line with policy New wording</p> <ul style="list-style-type: none">• The property securing the loan must not be vacant land• The property must have rental income entered and verified in line with policy• When the property is rented on a short term basis, a rental income tax deduction / negative gearing can only be applied in serviceability when the property is already owned and the rental schedule confirms the property was rented / available for rent, for the full 52 weeks of the financial year. Also see Verifying Income policy > Supplementary Income > Rental income (in AUD) Rent received on a short term basis.					
13	19 February 2023	<p>Change 1 Updated section 2.5.3 Serviceability Repayment Amount’ table to include new commitment type of Centrelink Debt</p> <table><tr><td>Centrelink debt</td><td>N/A</td><td>Assessed at 100% of the monthly commitment, per repayment arrangement</td><td>No</td><td>Refer to Commitments > Rules you must apply</td></tr></table> <p>Change 2 Update to section 2.5.3 Serviceability repayment amount for commitment types ‘Buy Now, Pay later commitments’ from providers</p>	Centrelink debt	N/A	Assessed at 100% of the monthly commitment, per repayment arrangement	No	Refer to Commitments > Rules you must apply
Centrelink debt	N/A	Assessed at 100% of the monthly commitment, per repayment arrangement	No	Refer to Commitments > Rules you must apply			

Amendment number	Amendment issue date	Description of changes																										
		<p>other than: Afterpay, Laybuy, Sezzle, Deferit, PayPal Payin4, Klarna, PayItLater, StepPay</p> <p>Formatting changed, rules have remained the same</p> <p>Old format</p> <table><tr><td>'Buy Now, Pay Later commitments' from providers other than:<ul style="list-style-type: none">• Afterpay• Laybuy• Sezzle• Deferit• PayPal Payin4• Klarna• PayItLater• StepPay</td><td colspan="4">Refer to applicable 'Buy Now Pay Later' account type below:<ul style="list-style-type: none">• 'Buy Now Pay Later - Fixed Term'• 'Buy Now Pay Later - Revolving Term'</td></tr><tr><td>'Buy Now Pay Later - Fixed Term' Refer to Glossary</td><td>N/A</td><td>Customer Declared Contracted Repayment Amount</td><td>No</td><td></td></tr><tr><td>'Buy Now Pay Later - Revolving Term' Refer to Glossary</td><td>3.8% of higher of limit / balance</td><td>Benchmark Repayment Amount</td><td>No</td><td></td></tr></table> <p>New format</p> <table><tr><td rowspan="2">'Buy Now, Pay Later commitments' from providers other than:<ul style="list-style-type: none">• Afterpay• Laybuy• Sezzle• Deferit• PayPal Payin4• Klarna• PayItLater• StepPay</td><td>'Buy Now Pay Later - Fixed Term' Refer to Glossary for definition</td><td>N/A</td><td>Customer Declared Contracted Repayment Amount</td><td>No</td><td></td></tr><tr><td>'Buy Now Pay Later - Revolving Term' Refer to Glossary for definition</td><td>3.8% of higher of limit / balance</td><td>Benchmark Repayment Amount</td><td>No</td><td></td></tr></table>	'Buy Now, Pay Later commitments' from providers other than: <ul style="list-style-type: none">• Afterpay• Laybuy• Sezzle• Deferit• PayPal Payin4• Klarna• PayItLater• StepPay	Refer to applicable 'Buy Now Pay Later' account type below: <ul style="list-style-type: none">• 'Buy Now Pay Later - Fixed Term'• 'Buy Now Pay Later - Revolving Term'				'Buy Now Pay Later - Fixed Term' Refer to Glossary	N/A	Customer Declared Contracted Repayment Amount	No		'Buy Now Pay Later - Revolving Term' Refer to Glossary	3.8% of higher of limit / balance	Benchmark Repayment Amount	No		'Buy Now, Pay Later commitments' from providers other than: <ul style="list-style-type: none">• Afterpay• Laybuy• Sezzle• Deferit• PayPal Payin4• Klarna• PayItLater• StepPay	'Buy Now Pay Later - Fixed Term' Refer to Glossary for definition	N/A	Customer Declared Contracted Repayment Amount	No		'Buy Now Pay Later - Revolving Term' Refer to Glossary for definition	3.8% of higher of limit / balance	Benchmark Repayment Amount	No	
'Buy Now, Pay Later commitments' from providers other than: <ul style="list-style-type: none">• Afterpay• Laybuy• Sezzle• Deferit• PayPal Payin4• Klarna• PayItLater• StepPay	Refer to applicable 'Buy Now Pay Later' account type below: <ul style="list-style-type: none">• 'Buy Now Pay Later - Fixed Term'• 'Buy Now Pay Later - Revolving Term'																											
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	'Buy Now Pay Later - Revolving Term' Refer to Glossary for definition	3.8% of higher of limit / balance	Benchmark Repayment Amount	No																								

Amendment number	Amendment issue date	Description of changes											
		<p>Change 3</p> <p>Update to section 2.5.3 Serviceability repayment amount for commitment types > Rental / board expense</p> <p>Old wording</p> <table><tr><td>Rental / board expense</td><td>Refer to Rent / board expense</td></tr></table> <p>New wording</p> <table><tr><td><p>Rental expense or Board expense</p><p>Refer to Glossary for definition of a:</p><ul style="list-style-type: none">BoarderRenter<p>Note: In OBP outgoing rent / board is categorised as an expense (non-discretionary)</p></td><td><p>N/A</p></td><td><p>The higher of either:</p><ul style="list-style-type: none">100% of the actual monthly expense (it is acceptable for the declared amount to be > = \$0)<i>Notional Rent expense</i><p>*Note: Exclusion of notional rent is only available under limited circumstances, refer Notional rent expense</p></td><td><p>No</p></td><td><p>Borrower's residential housing status is defined as 'Rent', 'Board' or 'Live with parents' and they will not be residing in the security collateral after purchase or final drawdown</p><ul style="list-style-type: none">When multiple tenants are on a lease, it is acceptable for the borrower's share of the actual monthly expense to be loaded as percentage of the total contracted rent. Excludes where rent / board expense is shared with a spousal partner (then the borrower and their spouse's combined ownership of the expense must be entered)<p>Verifying rent / board expense: In OBP outgoing rent / board is categorised as an expense (non-</p></td></tr></table>					Rental / board expense	Refer to Rent / board expense	<p>Rental expense or Board expense</p> <p>Refer to Glossary for definition of a:</p> <ul style="list-style-type: none">BoarderRenter <p>Note: In OBP outgoing rent / board is categorised as an expense (non-discretionary)</p>	<p>N/A</p>	<p>The higher of either:</p> <ul style="list-style-type: none">100% of the actual monthly expense (it is acceptable for the declared amount to be > = \$0)<i>Notional Rent expense</i> <p>*Note: Exclusion of notional rent is only available under limited circumstances, refer Notional rent expense</p>	<p>No</p>	<p>Borrower's residential housing status is defined as 'Rent', 'Board' or 'Live with parents' and they will not be residing in the security collateral after purchase or final drawdown</p> <ul style="list-style-type: none">When multiple tenants are on a lease, it is acceptable for the borrower's share of the actual monthly expense to be loaded as percentage of the total contracted rent. Excludes where rent / board expense is shared with a spousal partner (then the borrower and their spouse's combined ownership of the expense must be entered) <p>Verifying rent / board expense: In OBP outgoing rent / board is categorised as an expense (non-</p>
Rental / board expense	Refer to Rent / board expense												
<p>Rental expense or Board expense</p> <p>Refer to Glossary for definition of a:</p> <ul style="list-style-type: none">BoarderRenter <p>Note: In OBP outgoing rent / board is categorised as an expense (non-discretionary)</p>	<p>N/A</p>	<p>The higher of either:</p> <ul style="list-style-type: none">100% of the actual monthly expense (it is acceptable for the declared amount to be > = \$0)<i>Notional Rent expense</i> <p>*Note: Exclusion of notional rent is only available under limited circumstances, refer Notional rent expense</p>	<p>No</p>	<p>Borrower's residential housing status is defined as 'Rent', 'Board' or 'Live with parents' and they will not be residing in the security collateral after purchase or final drawdown</p> <ul style="list-style-type: none">When multiple tenants are on a lease, it is acceptable for the borrower's share of the actual monthly expense to be loaded as percentage of the total contracted rent. Excludes where rent / board expense is shared with a spousal partner (then the borrower and their spouse's combined ownership of the expense must be entered) <p>Verifying rent / board expense: In OBP outgoing rent / board is categorised as an expense (non-</p>									

Amendment number	Amendment issue date	Description of changes										
						discretionary) and is required to be verified. For information about how to verify outgoing declared rent and / or outgoing declared board refer to Commitments policy						
		<p>Change 4 Section 2.6 Rent / Board expense has been deleted and content moved to 2.5.3 Serviceability Repayment amount. Deleted content</p> <table><tr><th>Expense included when:</th><th>Serviceability is assessed at:</th><th>Other policy rules</th></tr><tr><td><p>The borrower's residential housing status is defined as 'Rent', 'Board' or 'Live with parents' and they will not be residing in the security collateral after purchase or final drawdown</p><p>Refer <u>Commitments > Renter and boarder definition, system entry and verification</u></p></td><td><p>The higher of either:</p><ul style="list-style-type: none">• 100% of actual monthly commitment (it is acceptable for a declared amount to be \$0 or greater), or• <u>Notional Rent expense amount</u></td><td><ul style="list-style-type: none">• Where multiple tenants are on a lease, it is acceptable for the actual monthly commitment to be a portion of the total contracted rent• For information about how to verify outgoing declared rent and/or outgoing declared board refer to <u>Commitments</u> policy</td></tr></table> <p>Change 5 Name change for section 2.6 Notional rent expense amount. New section name 2.6 Notional rent expense Update to content in this section Old wording Where a borrower or (any) income guarantor (Spousal-Income Guarantee or Spousal-Income + Security Guarantee) has the residential status of Rent / Board or Living with Parents and they will not be residing in the security property after purchase or drawdown, a minimum rental outgo will be applied to the serviceability assessment.</p> <p>Refer to table below for the notional rent rule applicable to your application.</p>					Expense included when:	Serviceability is assessed at:	Other policy rules	<p>The borrower's residential housing status is defined as 'Rent', 'Board' or 'Live with parents' and they will not be residing in the security collateral after purchase or final drawdown</p> <p>Refer <u>Commitments > Renter and boarder definition, system entry and verification</u></p>	<p>The higher of either:</p> <ul style="list-style-type: none">• 100% of actual monthly commitment (it is acceptable for a declared amount to be \$0 or greater), or• <u>Notional Rent expense amount</u>	<ul style="list-style-type: none">• Where multiple tenants are on a lease, it is acceptable for the actual monthly commitment to be a portion of the total contracted rent• For information about how to verify outgoing declared rent and/or outgoing declared board refer to <u>Commitments</u> policy
Expense included when:	Serviceability is assessed at:	Other policy rules										
<p>The borrower's residential housing status is defined as 'Rent', 'Board' or 'Live with parents' and they will not be residing in the security collateral after purchase or final drawdown</p> <p>Refer <u>Commitments > Renter and boarder definition, system entry and verification</u></p>	<p>The higher of either:</p> <ul style="list-style-type: none">• 100% of actual monthly commitment (it is acceptable for a declared amount to be \$0 or greater), or• <u>Notional Rent expense amount</u>	<ul style="list-style-type: none">• Where multiple tenants are on a lease, it is acceptable for the actual monthly commitment to be a portion of the total contracted rent• For information about how to verify outgoing declared rent and/or outgoing declared board refer to <u>Commitments</u> policy										

Amendment number	Amendment issue date	Description of changes		
		Borrower Type	Residential status	Notional Rent Rule
		All borrower types	Living with spousal partner Borrower lives in their spousal partner's home, but is not an owner of that property. The borrower has declared \$0 outgoing rent / board amount.	Notional rent WILL NOT apply
		All borrower types	Will reside in the security property upon completion of construction	Notional rent WILL NOT apply
		Individual	Rental arrangement Borrower lives in a rental property and rental amount is verified through one of the acceptable documents	Notional Rent WILL apply to the individual where the declared amount is below \$650.00 per month Notional Rent CANNOT be excluded from serviceability assessment.
		Joint with spouse	Rental arrangement Borrowers living in the same rental property and rental amount is verified through one of the acceptable documents	Notional Rent WILL apply at household level where the declared amount is below \$650.00 per month Notional Rent CANNOT be excluded from serviceability assessment.
		Joint with spouse	Rental arrangement Borrowers who are not living in the same rental property and rental amount is verified through one of the acceptable documents	Notional Rent WILL apply to each applicant where the declared amount is below \$650.00 per month Notional

Amendment number	Amendment issue date	Description of changes		
				Rent CANNOT be excluded from serviceability assessment.
		Joint with non-spouse	Rental arrangement Borrowers living in a rental property (may be the same or different address) and rental amount is verified through one of the acceptable documents.	Notional Rent WILL apply to each applicant where the declared amount is below \$650.00 per month Notional Rent CANNOT be excluded from serviceability assessment.
		Individual	Living with Parents or other boarding arrangement Borrower lives with parents or other boarding arrangement and has declared \$0 or greater than \$0 outgoing rent / board	Notional Rent WILL apply to the individual where the declared amount is below \$650.00 per month Notional Rent CANNOT be excluded from serviceability assessment.
		Joint with spouse	Living with Parents or other boarding arrangement Both borrowers living with the same with parent(s) or with the same boarding arrangement and has declared \$0 or greater than \$0 outgoing rent / board	Notional Rent WILL apply at household level where the declared amount is below \$650.00 per month Notional Rent CANNOT be excluded from serviceability assessment.
		Joint with spouse	Living with Parents or other boarding arrangement Each borrower living at a different address , with parents or other boarding arrangement and has	Notional Rent WILL apply to each applicant where the declared amount is below \$650.00 per month Notional Rent CANNOT be

Amendment number	Amendment issue date	Description of changes		
			declared \$0 or greater than \$0 outgoing rent / board	excluded from serviceability assessment.
		Joint with non-spouse	Living with Parents or other boarding arrangement Borrower lives with parents or other boarding arrangement and has declared \$0 or greater than \$0 outgoing rent / board.	Notional Rent WILL apply to each applicant where the declared amount is below \$650.00 per month Notional Rent CANNOT be excluded from serviceability assessment.
		Individual	Living with spousal partner Borrower lives in their spousal partner's home, but is not an owner of that property and the spouse is not a borrower or guarantor on the loan. The borrower has declared greater than \$0 outgoing rent / board amount.	Notional Rent WILL apply to each applicant where the declared amount is below \$650.00 per month Notional Rent CANNOT be excluded from serviceability assessment.
		Joint with spouse	Living with spousal partner Borrower lives in their spousal partner's home, but is not an owner of that property and the spouse is a co-borrower on the loan. The borrower has declared greater than \$0 outgoing rent / board amount.	Notional Rent WILL apply to the individual where the declared amount is below \$650.00 per month Notional Rent CANNOT be excluded from serviceability assessment.
		New wording Where a borrower or (any) income guarantor (WBC only) (Spousal-Income Guarantee or Spousal-Income + Security Guarantee) is Renting, Boarding or Living with Parents at the time of application, and they: <ul style="list-style-type: none">Will be residing in the security property after purchase or drawdown, notional rent will not apply. This includes where a property is under		

Amendment number	Amendment issue date	Description of changes																
		<p>construction, and it will be occupied by the borrower(s) upon completion.</p> <ul style="list-style-type: none">Will not be residing in the security property after purchase or drawdown, a minimum notional rental outgo will be applied to the serviceability assessment. Refer to 'Borrower Type' in table below. <p>For how to verify outgoing rent or board refer to Commitments policy > Customer commitments:</p> <ul style="list-style-type: none">Outgoing boardOutgoing rent <p>Refer to Glossary for definition of a:</p> <ul style="list-style-type: none">BoarderRenter <table><tr><th>Borrower Type</th><th>Residential status</th><th>Declared outgo</th><th>Notional Rent Rule</th></tr><tr><td rowspan="3">Individual</td><td>Living with parents or other boarding arrangement²</td><td rowspan="2">Borrower has declared >= \$0 outgoing rent / board amount.</td><td rowspan="2">Notional rent WILL apply to the individual and CANNOT be excluded from serviceability assessment.</td></tr><tr><td>Rental arrangement²</td></tr><tr><td>Living with spousal partner¹ Borrower lives in their spousal partner's home and Borrower is not an owner of that property and Spouse is / is not a co-borrower or income guarantor (WBC only) on the loan</td><td>Borrower has declared \$0 outgoing rent / board amount</td><td>Notional rent WILL NOT apply Serviceability will be assessed on the higher of:<ul style="list-style-type: none">Actual / declared monthly amountOr<ul style="list-style-type: none">Notional Rent \$650.00 pm applied at an applicant level</td></tr><tr><td></td><td></td><td>Borrower has declared > \$0 outgoing rent / board</td><td>Notional Rent WILL apply to the individual and CANNOT be excluded from serviceability assessment. Serviceability will</td></tr></table>	Borrower Type	Residential status	Declared outgo	Notional Rent Rule	Individual	Living with parents or other boarding arrangement ²	Borrower has declared >= \$0 outgoing rent / board amount.	Notional rent WILL apply to the individual and CANNOT be excluded from serviceability assessment.	Rental arrangement ²	Living with spousal partner¹ Borrower lives in their spousal partner's home and Borrower is not an owner of that property and Spouse is / is not a co-borrower or income guarantor (WBC only) on the loan	Borrower has declared \$0 outgoing rent / board amount	Notional rent WILL NOT apply Serviceability will be assessed on the higher of: <ul style="list-style-type: none">Actual / declared monthly amount Or <ul style="list-style-type: none">Notional Rent \$650.00 pm applied at an applicant level			Borrower has declared > \$0 outgoing rent / board	Notional Rent WILL apply to the individual and CANNOT be excluded from serviceability assessment. Serviceability will
Borrower Type	Residential status	Declared outgo	Notional Rent Rule															
Individual	Living with parents or other boarding arrangement ²	Borrower has declared >= \$0 outgoing rent / board amount.	Notional rent WILL apply to the individual and CANNOT be excluded from serviceability assessment.															
	Rental arrangement ²																	
	Living with spousal partner¹ Borrower lives in their spousal partner's home and Borrower is not an owner of that property and Spouse is / is not a co-borrower or income guarantor (WBC only) on the loan	Borrower has declared \$0 outgoing rent / board amount	Notional rent WILL NOT apply Serviceability will be assessed on the higher of: <ul style="list-style-type: none">Actual / declared monthly amount Or <ul style="list-style-type: none">Notional Rent \$650.00 pm applied at an applicant level															
		Borrower has declared > \$0 outgoing rent / board	Notional Rent WILL apply to the individual and CANNOT be excluded from serviceability assessment. Serviceability will															

Amendment number	Amendment issue date	Description of changes			
					be assessed on the higher of: <ul style="list-style-type: none"> Actual / declared monthly amount Or <ul style="list-style-type: none"> Notional Rent \$650.00 per month applied to the applicant
			Joint with spouse¹	Living with parents or other boarding arrangement² Both borrowers living with the same parent(s) or in the same boarding arrangement	Borrowers have declared > = \$0 outgoing rent / board
				Rental arrangement² Both borrowers living in the same rental property	
				Living with parents or other boarding arrangement² Each borrower living at a different address , either with parents or other boarding arrangement	Borrowers have declared > = \$0 outgoing rent / board
				Rental arrangement² Borrowers are not living in the same rental property	Notional Rent WILL apply to each applicant and CANNOT be excluded from serviceability assessment Serviceability will be assessed on the higher of: <ul style="list-style-type: none"> Actual / declared monthly amount Or <ul style="list-style-type: none"> Notional Rent \$650.00 pm applied at an applicant level

Amendment number	Amendment issue date	Description of changes			
		Joint with non-spouse	Living with Parents or other boarding arrangement² Borrower lives with parents or other boarding arrangement	Borrowers have declared >= \$0 outgoing rent / board	Notional Rent WILL apply to each applicant and CANNOT be excluded from serviceability assessment
			Rental arrangement² Borrowers living in a rental property (may be the same or different address)		Serviceability will be assessed on the higher of: • Actual / declared monthly amount Or • Notional Rent \$650.00 pm applied at an applicant level
			Living with spousal partner² • Borrower(s) live in their spousal partner's home and • Borrower(s) is not an owner of that property and • Spouse is / is not a co-borrower or income guarantor (WBC only) on the loan	Borrower(s) has declared \$0 outgoing rent / board	Notional rent WILL NOT apply
			Borrower has declared > \$0 outgoing rent / board	Notional Rent WILL apply to the individual and CANNOT be excluded from serviceability assessment. Serviceability will be assessed on the higher of: • Actual / declared monthly amount Or • Notional Rent \$650.00 pm applied to the individual	
		Legend	¹ Spouse = married or de facto ² Borrower does not reside in a property which they		

Amendment number	Amendment issue date	Description of changes
		<div> <div></div> <p>already own, and they will not be residing in the security property after purchase or drawdown.</p> </div> <p>Change 6 Updated section 'Rental income tax deductions for Australian investment properties (Negative Gearing) > Eligibility' Old wording For a new purchase the proposed deductible loan amount may include the purchase price of the property and any associated costs in obtaining the investment property such as stamp duty, legal costs and lenders mortgage insurance New wording For a new purchase, the proposed deductible loan amount:</p> <ul style="list-style-type: none"> • may include: <ul style="list-style-type: none"> ◦ the purchase price of the property ◦ any associated costs in obtaining the investment property such as stamp duty, legal costs and capitalised lenders mortgage insurance premium • cannot exceed the actual loan amount <p>Change 7 Update to content in section 2.5 Commitments Old wording</p> <ul style="list-style-type: none"> • Borrower and income guarantor (WBC only) (Spousal-Income Guarantee or Spousal-Income plus Security Guarantee) commitments are considered in serviceability. Refer to Guarantees • All existing debts are to be reflected in the application, regardless of whether they are to be closed, reduced or continued after the loan activity being assessed. <p>Also refer to <i>Commitments</i> policy. New wording The Borrowers and any income guarantor (WBC only) (Spousal-Income Guarantee or Spousal-Income plus Security Guarantee – refer to Guarantees policy) commitments are considered in serviceability. All existing debts are to be reflected in the application, regardless of whether they are to be closed, reduced or continued after the loan activity being assessed. Also refer to <i>Commitments</i> policy.</p> <p>Change 8 Update to wording in section 2.5.1 Default shared commitment rule Old wording</p> <ul style="list-style-type: none"> • Where an existing facility is shared with another borrower (i.e. >1 borrower on a loan): <ul style="list-style-type: none"> ◦ The 'Default shared commitment rule' requires: <ul style="list-style-type: none"> ▪ 100% of that facility amount and 100% of its associated 'Serviceability Repayment Amount' to be included in the <u>application</u> (aggregate) <u>level</u> serviceability assessment <ul style="list-style-type: none"> ▪ e.g. if a new loan / loan increase is in a sole name, but an existing facility is held in joint / multiple names, the full amount of the existing facility and its associated 'Serviceability Repayment Amount' must be applied against the sole borrower. ◦ Where serviceability fails due to the 'Default shared commitment rule', the 'Apportioned shared commitment rule' may be considered.

Amendment number	Amendment issue date	Description of changes
		<p>New wording</p> <p>Where an existing commitment is shared with another borrower (i.e. >1 borrower on a loan) the 'Default shared commitment rule' requires 100% of that facility amount and 100% of its associated 'Serviceability Repayment Amount' to be included in the <u>application</u> (aggregate) <u>level</u> serviceability assessment</p> <ul style="list-style-type: none"> e.g. if a new loan / loan increase is in a sole name, but an existing facility is held in joint / multiple names, the full amount of the existing facility and its associated 'Serviceability Repayment Amount' must be applied against the sole borrower. <p>Change 9</p> <p>Update to wording in section 2.5.2 Apportioned shared commitment rule</p> <p>Old wording</p> <p>The '<i>Apportioned shared commitment rule</i>' is an option that can be applied when an existing commitment is shared between a borrower (or income guarantor WBC only), of the new loan application, and a person that is not a borrower on the new loan. Typically, the <i>Apportioned shared commitment rule</i> would be considered when serviceability fails based on the 'Default shared commitment rule'.</p> <p>Apportioned shared commitment rule is not available:</p> <ul style="list-style-type: none"> when the new loan or shared commitment has a company co-borrower when foreign income is used in the serviceability assessment when any co-borrower / income guarantor (WBC only) of the shared commitment resides outside of Australia between spouse only (both spouse residing at the same address and spouse residing at a different address) <p>Where a borrower/s or income guarantor/s (WBC only) share an existing facility with another borrower who is:</p> <ul style="list-style-type: none"> not the spouse of the borrower and not a co-borrower on the new loan or loan variation being assessed, and not an income guarantor (WBC only) on the new loan or loan variation being assessed, then <ul style="list-style-type: none"> an apportioned 'Serviceability Repayment Amount' may be considered in the new loan application serviceability assessment, in lieu of the 100% used under the 'Default shared commitment rule'. Refer to 'Serviceability Repayment Amount' to determine which commitment types are eligible <p>The apportioned Serviceability Repayment Amount' reflects a percentage, which is the <u>highest</u> of the below categories</p> <p>New wording</p> <p>The '<i>Apportioned shared commitment rule</i>' is an option which can be used when serviceability fails based on the 'Default shared commitment rule'.</p> <p>To be eligible for the apportioned shared commitment rule, the borrower(s) or income guarantor(s) (WBC only) share an existing commitment with another borrower who is not:</p> <ul style="list-style-type: none"> The spouse of the borrower and not a co-borrower on the new loan or loan variation being assessed, or An income guarantor (WBC only) on the new loan or loan variation being assessed

Amendment number	Amendment issue date	Description of changes				
		<p>In addition to the above, the commitment type must allow an apportioned serviceability repayment amount. To identify if the commitment is eligible to be apportioned, refer to following sections in this chapter:</p> <ul style="list-style-type: none">• Serviceability Repayment Amount• Benchmark Repayment Amount – Mortgage<ul style="list-style-type: none">◦ Benchmark Repayment Amount calculation – New and existing internal¹ mortgage◦ Benchmark Repayment Amount calculation – external¹ existing mortgage <p>The applicant’s apportioned share of the commitment used in serviceability assessment is based on the <u>highest</u> of the below categories.</p> <p><i>(Note: the content contained in the Apportioned repayment categories table has not been changed)</i></p> <p>Apportioned shared commitment rule is not available when:</p> <ul style="list-style-type: none">• The new loan or shared commitment has a company co-borrower• Foreign income is used in the serviceability assessment• Any co-borrower / income guarantor (WBC only) of the shared commitment resides outside of Australia• The existing commitment is shared between spouses only (both spouses residing at the same address and both spouses residing at different addresses). If the borrower and non-borrower spouse reside at different addresses, the borrower has to take on the full responsibility for both their own as well as the spouse’s portion of the debt. <p>Change 10</p> <ul style="list-style-type: none">• Re-named and updated rules in the following sections: <ul style="list-style-type: none">• ◦ Renamed From 2.17.1 DTI calculation to 2.17.1 DTI Ratio Calculation• ◦ Renamed From 2.17.2 DTI Referral to Credit to as 2.17.2 High DTI Ratio - Commentary and Referral to Credit <p>Old wording 2.17.1 DTI calculation</p> <p>OBP will calculate a ‘Debt To Income’ (DTI) ratio and automatically refer applications to Credit where the DTI is greater than or equal to seven (7) times.</p> <table><tr><th>Measure</th><th>Definition</th></tr><tr><td>Debt</td><td>Total of the higher of limit / balance* of all borrower and Income Reliant Guarantor’s new and existing liabilities excluding:<ul style="list-style-type: none">• Hire purchase, Leasing, Other Contingent Liabilities• Any liabilities being cleared and closed in the submission, whether by customer or loan funds• Bridging Loans (applies to new or existing, internal or external, IO or ICAP repayments)</td></tr></table>	Measure	Definition	Debt	Total of the higher of limit / balance* of all borrower and Income Reliant Guarantor’s new and existing liabilities excluding: <ul style="list-style-type: none">• Hire purchase, Leasing, Other Contingent Liabilities• Any liabilities being cleared and closed in the submission, whether by customer or loan funds• Bridging Loans (applies to new or existing, internal or external, IO or ICAP repayments)
Measure	Definition					
Debt	Total of the higher of limit / balance* of all borrower and Income Reliant Guarantor’s new and existing liabilities excluding: <ul style="list-style-type: none">• Hire purchase, Leasing, Other Contingent Liabilities• Any liabilities being cleared and closed in the submission, whether by customer or loan funds• Bridging Loans (applies to new or existing, internal or external, IO or ICAP repayments)					

Amendment number	Amendment issue date	Description of changes	
			Where a debt is being reduced in the submission, whether by customer or loan funds, the New limit is used in lieu of the Current Limit for DTI calculation e.g. Debt = \$500,000
		Income	Total gross unshaded annual income from borrower/s and income guarantor (WBC only) (Spousal - Income Guarantee or Spousal-Income plus Security Guarantee) (including gross rental income and all other income types) e.g. Income = \$65,000
		DTI Ratio Calculation	Debt ÷ Income e.g. \$500,000 (Debt) ÷ \$65,000 (Income) = 7.69 DTI ratio

2.17.2 DTI Referral to Credit

When the DTI ratio referral rule is displayed, Lenders should provide appropriate notes and comments in their submission to Credit to the effect that:

- They have discussed the level of debt to income with the applicant(s) noting the debt level appears relatively high
- They have identified any specific circumstances that are contributing to the high DTI result, such as other income not able to be included in the DTI calculation
- Where any other policy rules have been triggered in addition to DTI, that valid mitigants can be demonstrated
- They have validated the customers' ability to meet repayments on the proposed loan noting the high DTI ratio
- They have documented any other relevant rationale to support why the deal should still be approved

Credit will take the following into consideration when considering applications referred for high DTI:

- That the Lender has held detailed conversations with the customer regarding their DTI position, and ability to afford the proposed loan despite the high DTI, and documented this in Notes / Comments accordingly
- Any other policy exceptions or rules triggered
- The LVR, level of monthly surplus, credit history (including anything adverse on their credit bureau) and level of applicant income
- Any specific drivers of high DTI such as other income not able to be included in the DTI calculation
- Any other supporting comments provided by the lender as to the reason for the high DTI and / or rationale as to why the deal should still be approved despite the high DTI

Amendment number	Amendment issue date	Description of changes								
		<p>New wording</p> <p>2.17.1 DTI Ratio Calculation</p> <table><tr><th>Measure</th><th>Definition</th></tr><tr><td>Debt</td><td><p>Total of the higher of limit / balance* of all borrower and Income Reliant Guarantor's new and existing liabilities excluding:</p><ul style="list-style-type: none">• 'Hire purchase', 'Leasing', 'Other' Liabilities• Any liabilities being cleared and closed in the submission, whether by customer or loan funds• Bridging Loans (applies to new or existing, internal or external, IO or ICAP repayments)<p>Where a debt is being reduced in the submission, whether by customer or loan funds, the New limit is used in lieu of the Current Limit for DTI calculation</p><p>e.g. Debt = \$500,000</p></td></tr><tr><td>Income</td><td><p>Total gross unshaded annual income from borrower/s and income guarantor (WBC only) (Spousal - Income Guarantee or Spousal-Income plus Security Guarantee) (including gross rental income and all other income types)</p><p>e.g. Income = \$65,000</p></td></tr><tr><td>DTI Ratio Calculation</td><td><p>Debt ÷ Income</p><p>e.g. \$500,000 (Debt) ÷ \$65,000 (Income) = 7.69 DTI ratio</p></td></tr></table> <p>2.17.2 High DTI Ratio - Commentary and Referral to Credit</p> <p>OBP will return a DTI ratio Credit referral rule where:</p> <ul style="list-style-type: none">• the DTI ratio is equal to or greater than seven (7) and less than ten (10) and:<ul style="list-style-type: none">◦ the LVR is greater than 80%, and/or◦ LMI applies• the DTI ratio is equal to or greater than ten (10). <p>In all instances where the DTI ratio is equal to or greater than seven (7), brokers/assessors must provide appropriate notes and comments in their submission to the effect that:</p> <ul style="list-style-type: none">• They have discussed the level of debt to income with the applicant(s) noting the debt level appears relatively high• They have identified any specific circumstances that are contributing to the high DTI result, such as other income not able to be included in the DTI calculation	Measure	Definition	Debt	<p>Total of the higher of limit / balance* of all borrower and Income Reliant Guarantor's new and existing liabilities excluding:</p> <ul style="list-style-type: none">• 'Hire purchase', 'Leasing', 'Other' Liabilities• Any liabilities being cleared and closed in the submission, whether by customer or loan funds• Bridging Loans (applies to new or existing, internal or external, IO or ICAP repayments) <p>Where a debt is being reduced in the submission, whether by customer or loan funds, the New limit is used in lieu of the Current Limit for DTI calculation</p> <p>e.g. Debt = \$500,000</p>	Income	<p>Total gross unshaded annual income from borrower/s and income guarantor (WBC only) (Spousal - Income Guarantee or Spousal-Income plus Security Guarantee) (including gross rental income and all other income types)</p> <p>e.g. Income = \$65,000</p>	DTI Ratio Calculation	<p>Debt ÷ Income</p> <p>e.g. \$500,000 (Debt) ÷ \$65,000 (Income) = 7.69 DTI ratio</p>
Measure	Definition									
Debt	<p>Total of the higher of limit / balance* of all borrower and Income Reliant Guarantor's new and existing liabilities excluding:</p> <ul style="list-style-type: none">• 'Hire purchase', 'Leasing', 'Other' Liabilities• Any liabilities being cleared and closed in the submission, whether by customer or loan funds• Bridging Loans (applies to new or existing, internal or external, IO or ICAP repayments) <p>Where a debt is being reduced in the submission, whether by customer or loan funds, the New limit is used in lieu of the Current Limit for DTI calculation</p> <p>e.g. Debt = \$500,000</p>									
Income	<p>Total gross unshaded annual income from borrower/s and income guarantor (WBC only) (Spousal - Income Guarantee or Spousal-Income plus Security Guarantee) (including gross rental income and all other income types)</p> <p>e.g. Income = \$65,000</p>									
DTI Ratio Calculation	<p>Debt ÷ Income</p> <p>e.g. \$500,000 (Debt) ÷ \$65,000 (Income) = 7.69 DTI ratio</p>									

Amendment number	Amendment issue date	Description of changes
		<ul style="list-style-type: none"> Where any other policy rules have been triggered in addition to DTI, that valid mitigants can be demonstrated They have validated the customers' ability to meet repayments on the proposed loan noting the high DTI ratio They have documented any other relevant rationale to support why the deal should still be approved <p>Where the application triggers a Credit referral, Credit will review the application with consideration applied to:</p> <ul style="list-style-type: none"> the above comments the LVR, level of monthly surplus, credit history (including anything adverse on their credit bureau) and level of applicant income any other policy exceptions or rules triggered <p>Change 11 Updated HEM table update - attached HEM tables for Q3 2022</p> <p>Change 12 Updated table in 'Amended current commitment' to include the following content where a document is provided from an external provider to evidence an account has been closed: New wording Where a document from a facility provider is used to confirm that the liability has been closed, there is no requirement for this document to meet the maximum age of documents requirement for that document, i.e. the document may exceed 2 months</p>
14	24 April 2023	<p>Change 1 New section added 2.4.1 Apportioned household expenses and shared commitments - Spousal same household</p> <p>This policy option allows the borrower's serviceability to be assessed using their share of household living expenses (both HEM comparable and non – HEM comparable expenses) and a share of the repayments for any joint commitments (i.e. debts / liabilities), when:</p> <ul style="list-style-type: none"> The borrower's spouse is not an applicant (or an income reliant guarantor - WBC only) for the new loan application being assessed; and The borrower and the borrower's spouse live at the same address; and The only borrowers on any existing shared commitments are the borrower and the borrower's spouse <p>This option cannot be used where:</p> <ul style="list-style-type: none"> When the existing loan or proposed new loan has a company co-borrower When borrowers on the existing shared commitment are not spouse only or do not fit the banks definition of a household When either borrower of the existing or new loan earns foreign income <p>[#]Where the borrower is not eligible for this policy, they may meet the requirements for the Apportioned shared commitments rule, refer to that section for further details.</p> <p>Serviceability calculation The portion of the expense or commitment repayment used in the</p>

Amendment number	Amendment issue date	Description of changes
		<p>serviceability assessment will be based on the borrower's contribution to the total household income i.e. by calculating the borrower's income as a percentage of total household income (i.e. borrower + spouse income), and applying that same percentage to shared household living expenses and commitments.</p> <p>The borrower's contribution to household income must be evidenced by verifying both the borrower and non-borrower's (borrower's spouse) income. The non-borrower (borrower's spouse) must be verified using the following income verification method:</p> <ul style="list-style-type: none"> • PAYG must be verified using standard income verification policy. Refer to Verifying Income policy. • Self Employed non-borrower must be verified using Fast Track self-employed assessment. The full Fast Track policy including 'Eligibility' and 'Exclusion' criteria applies. Refer to Self Employed Applicants policy. <p>Notes:</p> <p>When the Apportioned household expense and shared commitments - Spousal same household option is applied the HEM band calculation is not apportioned and remains determined based on total household income. The HEM value used in serviceability (determined based on total household income) will be apportioned under this policy option.</p> <p>In OBP the following are categorised as expenses:</p> <ul style="list-style-type: none"> • Outgoing rent / board • Outgoing child support (maintenance) • Outgoing Alimony (spousal support) <p>Verification requirements</p> <p>When the Apportioned household expense and shared commitments - Spousal same household policy option is applied, the broker must sight the non-borrower spouse privacy and consent, identification, and income verification documents. The broker must upload these documents to the ApplyOnline file and confirm:</p> <ol style="list-style-type: none"> 1. The borrower's spouse resides at the same address as the borrower; and 2. The name of the borrower's spouse matches the employee's name on the income documents used to verify the borrower's spouse income, including the ATO notice of assessment where the borrower's spouse is self-employed. <p>Related Serviceability assessment policy:</p> <ul style="list-style-type: none"> • Default shared commitment rule • Apportioned shared commitment rule • Serviceability repayment amount • Benchmark repayment amount – Mortgage <ul style="list-style-type: none"> ◦ Benchmark repayment amount calculation – New and existing internal mortgage ◦ Benchmark repayment amount calculation – External existing mortgage <p>Change 2</p> <p>Update to wording in 2.5.2 Apportioned shared commitment rule</p> <p>Old wording</p> <p>Apportioned shared commitment rule is not available when:</p>

Amendment number	Amendment issue date	Description of changes
		<ul style="list-style-type: none"> The new loan or shared commitment has a company co-borrower Foreign income is used in the serviceability assessment Any co-borrower / income guarantor of the shared commitment resides outside of Australia The existing commitment is shared between spouses only (both spouses residing at the same address and spouses residing at a different address). If the borrower and non-borrower spouse reside at different addresses, the borrower has to take on the full responsibility for both their own as well as the spouse's portion of the debt. <p>New wording</p> <p>Apportioned shared commitment rule is not available when:</p> <ul style="list-style-type: none"> The new loan or shared commitment has a company co-borrower Foreign income is used in the serviceability assessment Any co-borrower / income guarantor of the shared commitment resides outside of Australia The existing commitment is shared between spouses only: <ul style="list-style-type: none"> If the borrower and non-borrower spouse reside at the same address, refer to Apportioned household expenses and shared commitments – Spousal same household policy If the borrower and non-borrower spouse reside at different addresses, the borrower has to take on the full responsibility for both their own as well as the spouse's portion of the debt. <p>Change 3</p> <p>Update to section 2.5.3 Serviceability repayment amount for commitment types > Rental / board expense</p> <p>New scenario section added to the bottom of the Commitment type table</p> <div> <p>Scenarios – Outgoing rent or outgoing board</p> <ol style="list-style-type: none"> Where the borrower and their spouse (non-borrower on the new loan) rent a property together, then the total contracted rental amount and 100% ownership of the expense must be entered against the borrower. Where Apportioned household expense and shared commitments – Spousal same household policy is being utilised, you will need to include the entire rental outgoing amount as an expense. The system will automatically calculate the borrower's percentage of the rental outgo to be used in the serviceability. Include notes in the application to describe the scenario clearly for the Assessor. Where the borrower and their spouse (non-borrower on the new loan), rent a property with 1 other person, then the borrower's and their spouse's share of the total contracted rent must be entered, e.g. 3 tenants on the lease, then the borrower's and their spouse's share of the rent is 66%. This can be entered against the borrower as: <ul style="list-style-type: none"> 66% of the total contracted rental outgo amount and 100% expense ownership, or The total contracted rental outgo amount and 66% expense ownership <p>Where Apportioned household expense and shared commitments - Spousal same household policy has been applied, the system will automatically calculate the borrower's percentage of the rental outgo shared with their spouse, there is no requirement to manually calculate</p> </div>

Amendment number	Amendment issue date	Description of changes
		<p>the borrower's share of the rental expense.</p> <p>3. The borrower and their spouse rent a property and are applying for a new loan in joint names. The total contracted rent may be loaded in full against either borrower, or split between both borrowers, providing the total contracted rental outgo is entered and the combined expense ownership reflects 100%. Apportioned household expense and shared commitments -Spousal same household policy does not apply in this instance as it is a joint borrower application.</p> <p>4. The borrower rents a property with 2 other people (non-spousal), who are not co-borrowers on the new loan application. It is acceptable to enter the borrower's share of the total contracted rent based on the number of tenants on the lease, e.g. 3 tenants on the lease, then the borrower's share of the rent is 33%. This can be entered as:</p> <ul style="list-style-type: none"> ◦ 33% of the total contracted rental outgo amount and 100% expense ownership, or ◦ The total contracted rental outgo amount and 33% expense ownership <p>5. The borrower and co-borrower (non-spousal) on the new loan application rent a property together and are both on the lease. An amount or expense ownership percentage equivalent to 50% of the total contracted rental outgo must be entered against each borrower, i.e. this can be entered as:</p> <ul style="list-style-type: none"> ◦ 50% of the total contracted rental outgo amount and 100% expense ownership against each borrower, or ◦ The total contracted rental outgo amount and 50% expense ownership against each borrower
15	21 May 2023	<p>Change 1 Policy re-write to:</p> <ul style="list-style-type: none"> • re-format and re-wording of policy to improve readability <p>Change 2 New Content added: 2.8.8 Investment Property Expense Floor</p> <p>An investment property expense floor will be used for serviceability for residential properties that earn long term rental income. The investment property costs used for serviceability will be assessed on the higher of:</p> <ul style="list-style-type: none"> • Customer declared investment property costs: OR • 10% of Gross Rental Income <p>Investment Property Expense floor does not apply for:</p> <ul style="list-style-type: none"> • Short term rental income • Defence Housing Authority (DHA) rental Guarantee • NRAS security under a Head Lease structure • Commercial properties

Amendment number	Amendment issue date	Description of changes
		<p>Change 3 Updated HEM table update - attached HEM tables for Q4 2022</p> <p>Change 4 Updated section 2.10.1 Serviceability Assessment Rate (SAR) – Mortgage to include a reference and link to modified SAR under Streamlined Refinance as follows: New wording added Note: A modified SAR may be applied to applications to refinance an existing mortgage (internal or external), where the application meets all eligibility criteria and conditions under Streamlined Refinance.</p>
16	2 July 2023	<p>Change 1 Update to Section “Amended Current commitment. ” : Any liability will be cleared and closed independently by the customer¹, prior to Unconditional Approval –</p> <ul style="list-style-type: none"> to allow for cancellation or closed. Update to wording
17	20 August 2023	<p>Change 1 Changes to ‘Rental income tax deductions for Australian investment properties (Negative Gearing)’ >’: 1. Policy changes:</p> <ul style="list-style-type: none"> <ul style="list-style-type: none"> ‘For the negatively geared loan: Loan Purpose’: <ul style="list-style-type: none"> New Policy: For both an existing mortgage or the new loan, negative gearing benefits can be included when all or part of a loan is for the purpose of investing in the specific rental property negative gearing is being applied to Old policy: The loan must not be used for other investment purposes (including shares) ‘For the negatively geared loan: ‘Deductible Loan Amount’: <ul style="list-style-type: none"> New Policy: <ul style="list-style-type: none"> Only the loan portion used for investing in the specific rental property negative gearing is being applied to can be used. The customer must declare the amount of the loan that is eligible or that is already being negatively geared The deductible amount: <ul style="list-style-type: none"> may include: <ul style="list-style-type: none"> the purchase price of the property any associated costs in obtaining the investment property (e.g., stamp duty and legal costs). <u>for a new negatively geared loan</u> must be the lower of: <ul style="list-style-type: none"> the customer declared deductible loan amount loan limit <u>for an existing negatively geared loan:</u> must be the lower of: <ul style="list-style-type: none"> the customer declared deductible loan amount loan limit loan balance Old policy: <ul style="list-style-type: none"> Negative gearing benefits can only be included where the entire loan interest is eligible for the deduction. For a new purchase, the proposed deductible loan amount: <ul style="list-style-type: none"> may include:

Amendment number	Amendment issue date	Description of changes
		<ul style="list-style-type: none"> ▪ the purchase price of the property ▪ any associated costs in obtaining the investment property such as stamp duty, legal costs and capitalised lenders mortgage insurance premium ▪ cannot exceed the actual loan amount ○ 'For the negatively geared loan: 'Verification': <ul style="list-style-type: none"> ▪ New Policy: As per Commitments policy ▪ Old Policy: <ul style="list-style-type: none"> ▪ Where an existing loan balance has been entered in the negative gearing benefit section of OBP, it must be supported by the following: <ul style="list-style-type: none"> ▪ Internal Loan¹ - The current balance can be confirmed by the printout generated by an internal system. ▪ External Loan¹ - A copy of the most recent loan statement/s (within 2 months of age in line with existing aged document policy) is to be provided. <p>¹ For WBC: SGB, BoM, BSA and RAMS are considered to be external providers</p> <p>¹ For SGB, BoM, BSA: WBC and RAMS are considered to be external providers</p> <p>2. Clarification only changes (no associated policy change):</p> <ul style="list-style-type: none"> • ○ added eligibility condition 'Loan Parties for the negatively geared loan: The deduction can only be applied to an applicant who is a borrower on the loan which is being negatively geared' ○ reworded eligibility condition 'Residential Real estate that the negative gearing applies to': <ul style="list-style-type: none"> ▪ New wording: The property must be owned by an individual (not a partnership, company or trust including an individual as trustee for (ATF)) ▪ Old wording: The property must be owned by an individual (not a company, trust, entity) ○ The property must be owned by an individual (not a partnership, company or trust including an individual as trustee for (ATF)) ○ removed reference to 'OBP' ○ general reformatting and rewording to improve clarity <p>Change 2 Update to Study and Training Support Loan (STSL) Repayment Income Thresholds to 2023-2024 values</p> <p>Change 3 Updated HEM table - attached HEM tables for Q1 2023</p> <p>Change 4 Added the below clarification (no policy change) to 'Household Expenditure Measure (HEM) > Rules':</p> <ul style="list-style-type: none"> • Applicant's gross income for the HEM band is calculated based on the total: <ul style="list-style-type: none"> ○ Gross annual salary / wages income (unshaded) plus ○ Gross annual rental income (unshaded) less the higher of (customer declared investment property costs or 10% of gross unshaded rental income) less investment loan interest costs (where negative gearing has been used) plus ○ All other gross annual income (unshaded) <p>Change 5</p>

Amendment number	Amendment issue date	Description of changes																				
		<p>Added the below clarification (no policy change) to 'Serviceability Repayment Amount > Study and Training Support Loans (STSL) e.g. HELP, SSL, ABSTUDY SSL, TSL, SFSS, HECS > Benchmark Repayment Amount calculation':</p> <ul style="list-style-type: none">'Repayment Income' used for this calculation is:<ul style="list-style-type: none">Gross shaded declared taxable income less negative gearing deductions less the higher of (customer declared investment property costs or 10% of gross unshaded rental income)																				
18	8 October 2023	<p>Change 1</p> <p>Updated section 2.4.1 Default shared commitment rule and 2.5.2 Apportioned shared commitment rule to remove the requirement to first service using the Default shared commitment rule</p>																				
19	19 November 2023	<p>Change 1</p> <p>Updated section 2.10 Consumer Mortgage Loan - Serviceability Repayment Amount:</p> <p>Old wording</p> <table><tr><th>Reference / Acronym</th><th>Definition</th></tr><tr><td>LIR</td><td>Loan interest rate</td></tr><tr><td>Final Rate</td><td>Loan interest rate (LIR) +/- life of loan rate adjustments / and loan discounts, and excluding Short term / Honeymoon discounts</td></tr><tr><td>PI</td><td>Principle and interest</td></tr><tr><td>PIF</td><td>Principle, interest and fees</td></tr><tr><td>IO</td><td>Interest Only</td></tr><tr><td>ICAP</td><td>Interest Capitalised</td></tr><tr><td>SAR</td><td>Serviceability Assessment Rate</td></tr></table> <p>New wording</p> <table><tr><th>Reference / Acronym</th><th>Definition</th></tr><tr><td>LIR</td><td>Loan interest rate</td></tr></table>	Reference / Acronym	Definition	LIR	Loan interest rate	Final Rate	Loan interest rate (LIR) +/- life of loan rate adjustments / and loan discounts, and excluding Short term / Honeymoon discounts	PI	Principle and interest	PIF	Principle, interest and fees	IO	Interest Only	ICAP	Interest Capitalised	SAR	Serviceability Assessment Rate	Reference / Acronym	Definition	LIR	Loan interest rate
Reference / Acronym	Definition																					
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Reference / Acronym	Definition																					
LIR	Loan interest rate																					

Amendment number	Amendment issue date	Description of changes	
		Final Rate (New loans)	Loan interest rate (LIR that applies to a new (internal) consumer mortgage loan, and: <ul style="list-style-type: none"> Includes any life of loan rate adjustments / and loan or discounts, and excluding short term or honeymoon rates / discounts
		Current Rate (Existing loans)	LIR that applies to an existing (internal or external) consumer mortgage loan at time of application, and may include: <ul style="list-style-type: none"> Any life of loan rate adjustments or discounts, or Fixed / short term / honeymoon rates or discounts
		Adjusted Current Rate	The higher of the: <ul style="list-style-type: none"> Verified Current Rate, or Minimum Current Rate
		P&I	Principle and interest
		PIF	Principle, interest and fees
		IO	Interest Only
		ICAP	Interest Capitalised
		SAR	Serviceability Assessment Rate
		Change 2 Updated section 2.10.1 Serviceability Assessment Rate (SAR) – Mortgage to simplify wording, add Minimum Current Rate and remove example table Old wording	
		Interest Rate	Policy Rules
		Buffer rate	<p>The buffer rate is determined by the Bank; it reflects the potential for interest rate increases and seeks to ensure that potential increases in interest rates do not adversely impact on a borrower's capacity to repay a loan.</p> <p>Effective 29 October 2021 the buffer rate is 3.00% p.a.</p>

Amendment number	Amendment issue date	Description of changes	
		Floor Rate The Bank maintains a minimum floor rate which is used in conjunction with the buffer rate. The floor rate is the lowest benchmark rate that the Bank has set for testing a customer's ability to repay the loan. Note: The floor rate is also internally referred to as the 'Minimum Credit Assessment Rate (MCAR)' Effective 9 October 2020 the floor rate is 5.05% p.a.	
		Serviceability Assessment Rate (SAR) The SAR refers to the interest rate which is applied in the Benchmark Repayment Amount calculation. <ul style="list-style-type: none"> • If the final rate on the loan plus the interest rate buffer of 3.00% p.a. is less than the floor rate, then the floor rate is applied as the SAR. • If the final rate on the loan plus the interest rate buffer of 3.00% p.a. is greater than the floor rate, then the actual rate on the loan plus the interest rate buffer is applied as the SAR 	
		Note: A modified SAR may be applied to applications to refinance an existing mortgage (internal or external), where the application meets all eligibility criteria and conditions under Streamlined Refinance.	
		New wording	
		Interest Rate	Policy Rules
		Interest Rate Buffer	The interest rate buffer is determined by the Bank; it reflects the potential for interest rate increases and seeks to ensure that potential increases in interest rates do not adversely impact on a borrower's capacity to repay a consumer mortgage loan. Effective 29 October 2021 the buffer rate is 3.00% p.a.
		Floor Rate Note: The floor rate is also internally referred to as the 'Minimum Credit Assessment Rate	The Bank maintains a minimum floor rate which is used in conjunction with the interest rate buffer. The floor rate is the lowest benchmark rate that the Bank has set for testing a customer's ability to repay the consumer mortgage loan.

Amendment number	Amendment issue date	Description of changes	
		(MCAR)'	Effective 9 October 2020 the floor rate is 5.05% p.a.
		Minimum Current Rate	Minimum Current Rate is determined by the Bank to reflect the minimum LIR that must be applied in the serviceability assessment, to an existing (internal or external) consumer mortgage loan. If the Current Rate is below this, then the Minimum Current Rate will automatically apply.
		Serviceability Assessment Rate (SAR)	SAR refers to the interest rate which is applied in the Benchmark Repayment Amount calculation
			<p>For new (internal) consumer mortgage loans, SAR is the higher of the:</p> <ul style="list-style-type: none"> Final Rate plus Interest Rate Buffer, <p>OR</p> <ul style="list-style-type: none"> Floor Rate <p>For existing (internal or external) consumer mortgage loans, SAR is the higher of the:</p> <ul style="list-style-type: none"> Adjusted Current Rate plus Interest Rate Buffer, <p>OR</p> <ul style="list-style-type: none"> Floor Rate <p>Examples:</p> <ul style="list-style-type: none"> If the Final Rate or Adjusted Current Rate on the loan plus the interest rate buffer of 3.00% p.a. is less than the Floor Rate, then the Floor Rate is applied as the SAR. If the Final Rate or Adjusted Current Rate on the loan plus the interest rate buffer of 3.00% p.a. is greater than the Floor Rate, then the Final Rate or Adjusted Current Rate on the loan plus the interest rate buffer is applied as the SAR
		<p>Note: A modified SAR may be applied to applications to refinance an existing mortgage (internal or external), where the application meets all eligibility criteria and conditions under Streamlined Refinance.</p>	
		<p>Change 3 Updated section 2.10.2 Benchmark Repayment Amount – New Mortgage(s) 1. From</p> <ul style="list-style-type: none"> Benchmark Repayment Amount calculation – New and existing internal¹ mortgage <p>To</p> <ul style="list-style-type: none"> Benchmark Repayment Amount calculation – New (internal) mortgage 	

Amendment number	Amendment issue date	Description of changes
		<ul style="list-style-type: none"> Removed: <ul style="list-style-type: none"> Equity Access Loan (EAL) – WBC Product (Secured Line of Credit) Portfolio Loan – SGB / BoM / BSA Product (Secured Line of Credit) Reverse Mortgage ICAP Loan-SGB / BoM / BSA Product Reverse Mortgage IO Loan – SGB / BoM / BSA Product Secured overdraft³ Removed column: <ul style="list-style-type: none"> Eligible for an apportioned Serviceability Repayment Amount? Must also meet the 'Apportioned shared commitment rule' <p>2.</p> <p>From</p> <ul style="list-style-type: none"> Benchmark Repayment Amount calculation – External existing mortgage Interest Rate (SAR) <ul style="list-style-type: none"> Higher of: <ul style="list-style-type: none"> Final Rate plus interest rate buffer Floor Rate (MCAR) <p>To</p> <ul style="list-style-type: none"> Benchmark Repayment Amount calculation – Existing (internal and external) mortgage Interest Rate (SAR) <ul style="list-style-type: none"> Higher of: <ul style="list-style-type: none"> Adjusted Current Rate plus Interest Rate Buffer Floor Rate (MCAR)
20	18 February 2024	<p>Change 1 Updated HEM table – attached HEM tables for Q3 2023</p> <p>Change 2 Updated section 'Why this policy' From: Applicable to a servicing / variation activity requiring a serviceability assessment. To: Applicable to a loan variation activity requiring a serviceability assessment</p> <p>Change 3 Updated section 2.5.3 'Serviceability Repayment Amount' to:</p> <ul style="list-style-type: none"> Remove note re notional rent exclusion. Simplify wording by removing unnecessary content and to provide clear instructions. <p>Updated section 2.6 'Notional rent expense' to:</p> <ul style="list-style-type: none"> Simplify wording by removing unnecessary content and to provide clear instructions. Remove the rule that 'Notional rent WILL NOT apply' for scenarios where the applicant lives with in an owner-occupied property that is solely owned by their non-applicant spouse Combine borrower types of Individual and joint with non-applicant spouse within the table given the same rules apply.
21	7 April 2024	<p>Change 1 Uplift in rental income tax deductions for Construction loans (internal) with progress payments</p> <p>Change 2 Under section 'Parental leave – use of return to work income' reworded</p>

Amendment number	Amendment issue date	Description of changes
		<p>'Exclusions' section (no associated policy change)</p> <p>From: Any other extended leave like Grandparental Leave or Career Breaks are ineligible as this isn't covered under Government Legislation like Parental Leave where a person is guaranteed for their job to be held open for 12 months.</p> <p>To: Any other extended leave like Grandparental Leave or Career Breaks are ineligible</p>
22	19 May 2024	<p>Change 1 Updated HEM table – attached HEM tables for Q4 2023.</p> <p>Change 2 Changed the name of 2.10 Consumer Mortgage Loan – Serviceability Repayment Amount to Mortgages L – Serviceability Repayment Amount to</p> <p>Added the following commitments:</p> <ul style="list-style-type: none"> • Business Commercial Bill • Business Credit Card • Business Inter-entity loan • Business Overdraft • Business Tax Debt • Business Term Loan • Secured Line of Credit (without a contracted term) <p>Deleted the following commitments:</p> <ul style="list-style-type: none"> • Line of Credit (unsecured) <p>Updated the following commitments:</p> <ul style="list-style-type: none"> • Changed Cards to Cards (personal) • Consumer mortgage loans changed to Mortgages • Overdraft changed the name to Overdraft – personal • Other loans deleted "note this relates specifically to the OBP liability type Other" and added "May include Flexi Loans (WBC Product), Get Set loans (SGB / BoM / BSA Product) • Tax debt changed the name to "Tax Debt – Personal"
23	30 June 2024	<p>Change 1 Update to Parental Leave requirements when Mortgage Insurance is required - Removed</p> <ul style="list-style-type: none"> • Must be referred to Credit and will be considered on a case-by-case basis, to a maximum LVR of 90% inclusive of any capped premium.

Attachments

[03.17 HEM Remote Postcodes.xlsx](#)

[03.17 HEM Table.xlsx](#)

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