




Credit Policy | Verifying Transaction Account/s, Account Conduct and Commitments / Expenditure

	What	<p>An applicant's ongoing financial commitments and expenditures are captured to determine their ability to service a loan. To do so, we must:</p> <ul style="list-style-type: none"> ▶ Determine which commitments need to be captured, based on who the borrowers are; ▶ Identify all of the applicant's commitments and capture them in the application (disclosed and undisclosed); ▶ Verify the commitments and check account conduct and include all supporting documentation when required; ▶ Capture the applicant's monthly living expenses; ▶ Where the applicant receives rental income, capture the associated rental expenses as part of the Rental Income calculation. 						
	Why	<p>It's important that all necessary information is captured correctly, and any supporting documents provided exactly match the application. This ensures we can make a decision on the application the first time around.</p>						
	How	<p>Requirements for capturing and verifying commitments and expenses are detailed below.</p> <p>Overview of Commitments / Monthly Living Expenses / Rental Expenses</p> <p>Capture Commitments</p> <p>Transaction Account Review and Undisclosed Commitment Check</p> <p>Verify commitments and Check Account Conduct</p> <p>Commitment/Liability and Account Conduct Declarations</p> <p>Monthly Living Expenses</p> <p>Rental Expenses and for Investment Properties</p> <p>OVERVIEW OF COMMITMENTS / MONTHLY LIVING EXPENSES / RENTAL EXPENSES</p> <p>There are three main categories of commitments and expenses that need to be captured as part of the application. The applicant's commitments and expenses must be correctly categorised to ensure their application is accurately assessed.</p> <table border="1"> <thead> <tr> <th data-bbox="327 1227 710 1294">Commitments (also referred to as liabilities)</th><th data-bbox="726 1238 1093 1272">Monthly Living Expenses (MLE)</th><th data-bbox="1109 1227 1477 1294">Rental Expenses (from an investment property)</th></tr> </thead> <tbody> <tr> <td data-bbox="327 1305 710 1776"> <p>Commitments are ongoing financial debts or facilities. They are typically repaid or held over an extended period of time (e.g. over a year) and are bound by contractual terms. Commitments include fixed commitment repayments (such as loans) or limit facilities (such as credit cards) and generally cannot be easily cancelled or stopped without settlement.</p> <p>Existing commitments are those which existed prior to taking out a home / investment home loan and all are required to be captured when determining an applicant's serviceability.</p> </td><td data-bbox="726 1305 1093 2163"> <p>Monthly living expenses refer to all other expenditure associated with the cost of living, including regular necessary spending, such as electricity and groceries, as well as discretionary spending (e.g. Pay TV, luxury items etc.).</p> <p>To ensure that we are able to provide the applicant with an appropriate loan amount that they can afford, living expenses should be captured as accurately as possible. The applicant's declared living expenses should include existing expenses that will continue to be incurred, and any new expenses that will be incurred after the loan is funded. It does not include investment property expenses (these are captured as rental expenses where rental income is used for servicing).</p> <p>Sole use of the Household Expenditure Measure (HEM) is not an acceptable way to capture living expenses and may result in the inability for an applicant to meet their new home loan commitments.</p> <p>For additional guidance on capturing</p> </td><td data-bbox="1109 1305 1477 2163"> <p>Rental expenses include all expenditure required to maintain an investment property. Rental expenses are not to be included as MLE, but rather a reduction of rental income, captured at an individual property level.</p> <p>It does not include mortgage repayments, interest, depreciation, one-off repairs and maintenance expenses, capital improvement costs or write-offs, or loss of rent due to vacancy periods.</p> <p>Where an applicant receives rental income the amount of rental expenses required to maintain the property must also be determined.</p> <p>For additional guidance on capturing rental expenses, refer to Gross Rental Income.</p> </td></tr> </tbody> </table>	Commitments (also referred to as liabilities)	Monthly Living Expenses (MLE)	Rental Expenses (from an investment property)	<p>Commitments are ongoing financial debts or facilities. They are typically repaid or held over an extended period of time (e.g. over a year) and are bound by contractual terms. 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MLE as well as household details, refer to [Monthly Living Expenses](#).

Examples of commitments and living expenses are included below (but are not limited to):

Commitments	Monthly Living Expenses (MLE)	Rental Expenses (from an investment property)
<p>Fixed Repayment Commitments</p> <ul style="list-style-type: none"> ▶ Home Loans / Investment Loans ▶ Personal Loans (including short term loans, such as Wizard Wallet, Nimble, Speckle, etc.) ▶ Hire Purchase / Equipment finance (e.g. Flexirent) ▶ Business Loans ▶ Store interest-free finance paid over an extended period of time, with no fixed repayment ▶ Fixed repayment plans (e.g. Denticare) ▶ Novated lease. Note: Novated leases are paid as part of an applicant's salary package. You're only required to verify the repayment amount for these facilities. A payslip is an acceptable verification document for Novated leases. <p>Limit Facility</p> <ul style="list-style-type: none"> ▶ Viridian Lines of Credit ▶ Overdrafts ▶ Credit cards ▶ Commercial credit cards ▶ Business lines of credit ▶ Credit limit facilities ▶ Some Buy Now, Pay Later facilities (e.g. Zip Money) ▶ Charge cards with a limit. <p>Other</p> <ul style="list-style-type: none"> ▶ Margin loans ▶ Child maintenance ▶ Centrelink debt ▶ Court ruled debt ▶ Australian Taxation Office (ATO) debt ▶ Government study and training support loans (including HELP) ▶ Rental payments or board (included only if still payable after new home / investment loan is funded) ▶ Conditional gifts. 	<p>Basic Living Expenses (included in the HEM comparison)</p> <ul style="list-style-type: none"> ▶ Food and groceries ▶ Utilities (electricity, gas, water etc.) ▶ Primary residence maintenance costs ▶ Phone and internet ▶ PayTV and subscriptions (e.g. Netflix, Spotify) ▶ Tertiary and public education and training (excluding loans such as HELP etc.) ▶ Clothing and personal care ▶ Transport and auto ▶ Registrations and repairs ▶ Medical, health and fitness ▶ Insurance ▶ Recreation, travel and entertainment ▶ Childcare ▶ Pet care ▶ Purchases made using some Buy Now, Pay Later facilities (e.g. Afterpay, StepPay) ▶ Fines ▶ Charge cards without a limit (includes Flexible Payment Option 'FPO') <p>Additional Living Expenses (excluded from the HEM comparison)</p> <ul style="list-style-type: none"> ▶ Strata and other body corporate fees (on own dwelling) ▶ Gardening ▶ Secondary residence costs – e.g. holiday homes ▶ Private school fees ▶ Personal insurances – e.g. life insurance ▶ Beauty treatments ▶ Overseas travel ▶ Recreational vehicle expenses and insurances ▶ Annual land and property tax <p>Note: It is important to ensure these are input in the correct category (Basic or Additional) in the calculators due to the comparison to HEM.</p>	<p>Rental expenses include</p> <p>:</p> <ul style="list-style-type: none"> ▶ Strata and other body corporate fees ▶ Property management fees ▶ Insurances ▶ Council rates ▶ Land tax ▶ Utilities ▶ Ongoing repairs and maintenance <p>Rental expenses don't include:</p> <ul style="list-style-type: none"> ▶ Mortgage repayments ▶ Interest ▶ Depreciation ▶ One-off repairs and maintenance expenses ▶ Capital improvement costs or write-offs ▶ Loss of rent due to vacancy periods

Buy Now, Pay Later (BNPL) facilities:

- ▶ BNPL facilities, which are paid over a short period of time in equal instalments, have a small limit (generally no more than \$2,000), and do not incur any interest or fees when paid within that period. Expenditure using these facilities should be treated as a living expense and captured in each relevant category (e.g. BNPL used to purchase clothing should be captured under 'Clothing and personal care' MLE category). Examples include AfterPay, Zip Pay and StepPay.
- ▶ BNPL facilities with a reusable set credit limit paid over an extended period of time that incur interest and / or fees should be treated the same way as a credit card commitment (i.e. as a commitment and not a living expense). For example, Zip Money.
- ▶ Some BNPL providers may have varying product options (e.g. Humm), or are offered by a credit card provider (e.g. Latitude

Pay). You must understand from your customer the nature of the facility to determine if it's to be included in their living expenses, or captured as a commitment.

Charge Cards:

A traditional charge card is a type of credit card that has no set limit, no interest rate and the balance must be paid off in full every month (otherwise a fee will be charged). If your customer tells you they have a charge card, confirm if it has a limit as this will determine how it should be captured. Indicators that a card has a limit include:

- ▶ If the customer advises that there is a limit;
- ▶ A limit is quoted on the statement;
- ▶ If the statement has a minimum percentage payment of the closing balance (e.g. if the minimum payment equates to 2.5% of the closing balance), or if it quotes an interest rate.

If your customer's charge card has...	Then...
A limit	The charge card must be captured as a commitment in the same way as a credit card.
No limit	Expenses incurred on the charge card should be included in monthly living expenses and no verification is required. However, the balance of the charge card must be captured on the balance sheet.

CAPTURE COMMITMENTS

An applicant's commitments need to be captured in their Financials to ensure that we can appropriately assess their loan and DTI ratios.

The commitments required to be included in an application, will depend on:

- ▶ Whether the borrower is personal or non-personal;
- ▶ What is the source of income being used to service the application; and
- ▶ Whether the borrower provides any servicing guarantees to other entities.

For guidance on which commitments need to be captured, refer below:

		If the commitment is held under a...		
		Personal name	Sole trader/partnership	Company
Source of income used for servicing	PAYG	✓ Include in applicant's personal liabilities	✓ A Include in applicant's personal liabilities	X*
	Self-employed income from a Sole Trader / Partnership	✓ Include in applicant's personal liabilities	✓ A Include in applicant's personal liabilities	X*
	Self-employed income from a company	✓ Include in applicant's personal liabilities	N/A	✓ Include repayments in the Company Loan repayment field as part of self-employed income

* You don't need to capture company commitments in the borrower's personal balance sheet if:

Simple Verification is being used to capture self-employed income from a company; or

There's no reliance on an applicant's self-employed income from a company for servicing, and the applicants are just shareholders (no servicing guarantee); or

There's no reliance on an applicant's self-employed income from a company for servicing, and the applicant is a servicing guarantor. However, you'll need to confirm and include in the application comments that the business, from which the self-employed income is derived, is trading profitably and any business liabilities have been included for servicing. Refer to [Eligible Income > Self-Employed](#) for more details.

TRANSACTION ACCOUNT REVIEW AND UNDISCLOSED COMMITMENT CHECK

You will need to review one month's primary transaction account statement or Internet banking transaction listing for any on-going commitments or liabilities that may have been overlooked. If you find any, confirm the details with the customer and include in the application.

A customer's primary transaction account(s) includes the account where your customer's primary source of income (e.g. PAYG salaries, government payments, income from business used in servicing) is credited and where most payments/direct debits are made from. As the main purpose of this check is to find undisclosed commitments, if the customer operates from an account that is different to their primary transaction account, you must check both/all accounts.

In some instances depending on the net monthly servicing (NMS) you may be required to supply the primary transaction account statement or Internet banking transaction listing.

Resources

If...	Then...
<ul style="list-style-type: none"> ▶ NMS is \$225 or over and/or ▶ The customer's primary transaction account is a CommBank account held in their personal name (regardless of NMS) 	No requirement to provide the transaction account
<ul style="list-style-type: none"> ▶ NMS is under \$225 and ▶ the customer's primary transaction account is with an OFI 	<p>Supply one month's primary transaction account statements and/or internet banking transaction listing for an undisclosed liability check.</p> <p>If your customer is eligible for Simpler Liability Verification, different criteria applies. Refer to Simpler Liability Verification to determine whether your customer is eligible.</p>

Note: Credit will determine the final NMS. Apply Online may be used as a guide.

VERIFY COMMITMENTS AND CHECK ACCOUNT CONDUCT

Once all commitments/liabilities have been entered into the application, each commitment must be verified and account conduct checked. The type and amount of documentation required to be submitted for review, will depend on what the commitment is and whether it is visible in Comprehensive Credit Reporting (CCR).

Verification and account conduct check of commitments found by the Bureau / CCR

Where a customer's personal OFI Credit Card, Home Loan or Personal Loan is held with an Australian financial institution and is in personal names, Credit will rely on information obtained through CCR (if available). This data is used to:

- ▶ Verify the commitment/liabilities details (i.e. account ownership, account number, limit or balance etc.)
- ▶ Check the account conduct for each individual commitment/liability by reviewing the last 6 complete months of CCR data from the application date.

You are able to determine whether documents are required to be submitted by reviewing the **Credit Report** available in **Financial Passport** by following the process below.

Step	Detail						
1.	<p>Ensure <u>all</u> commitments/liabilities that are visible in CCR are included within the application.</p> <p>Note: If a commitment has since been closed, but is still visible in CCR, the commitment must be still be included in the application and evidence of closure provided.</p>						
2.	<p>For each individual commitment/liability, review the last 6 complete months of CCR data from the application date (e.g. for an application created in mid-July, the period under review will be months January to June). Where an account has not been open for the full 6 months, review the complete months based on conduct available since the account was opened (e.g. if an account has been open for 4 complete months, 4 months' of data will be reviewed).</p> <table border="1"> <tr> <th>If during in the review period the following is visible...</th><th>Then...</th></tr> <tr> <td> <ul style="list-style-type: none"> ▶ All zeros; or ▶ All zeros, with a P or R in the most recent completed month reviewed. </td><td>Ensure the commitment/liability is included in the application. No documentary evidence is required to be provided.</td></tr> <tr> <td>The applicant is currently up to date, at the time of application and a zero is observed in the most recent</td><td>Ensure the commitment/liability is included in the application. Include an explanation for any late payments from your customer in the application</td></tr> </table>	If during in the review period the following is visible...	Then...	<ul style="list-style-type: none"> ▶ All zeros; or ▶ All zeros, with a P or R in the most recent completed month reviewed. 	Ensure the commitment/liability is included in the application. No documentary evidence is required to be provided.	The applicant is currently up to date, at the time of application and a zero is observed in the most recent	Ensure the commitment/liability is included in the application. Include an explanation for any late payments from your customer in the application
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	completed month, but late payments have been observed over the review period.	repayments from your customer in the application comments. No documentary evidence is required to be provided.
	Any other situation	Ensure the commitment/liability is included in the application. Obtain documentary evidence that the customer is up to date with their repayments and include explanations from your customer in the application comments for any late repayments.
Note: We may still request additional documents to assist with their assessment and processing of the application (e.g. for debts being refinanced). You will need to provide any additional documentation they require to reduce delays in assessment.		

Verification and account conduct check of commitments where CCR data is unavailable

When CCR data is unavailable for a commitment/liability, or the commitment/liability is held in a non-personal name or with an overseas financial institution (OFI), refer to the below table for verification and conduct requirements.

Commitment/Liability	Documentation and verification requirements	
OFI loans and limit facilities (such as Credit Cards, Home Loans and Personal Loans)	<p>Please provide bank/loan statements or internet banking transaction listings with end date of no more than 6 weeks old from the date of the application.</p> <p>The following information must be verified:</p> <ul style="list-style-type: none"> ▶ Account holders name ▶ Account number ▶ Limit or balance (including any redraw facility) ▶ Evidence of the most recent required repayment <p>One or a combination of documentary information sources can be used to verify the relevant information listed above, including but not limited to:</p> <ul style="list-style-type: none"> ▶ Statements (paper, PDF, electronic) ▶ Online transaction listings ▶ Online account summaries ▶ Where the OFI liability does not provide statements or transaction listings, the following evidence can be provided: <ul style="list-style-type: none"> ▶ Loan contract, schedule or correspondence from the provider showing the account holder's name, repayment amount and balance and ▶ A transaction listing/statement showing the most recently required debit to ▶ the provider for the same repayment amount appearing on the loan schedule/contract <p>Note: Additional information must be captured in your application however documentary evidence is not required (e.g. remaining loan term, interest rate, repayment amount and type, remaining interest only term etc.).</p> <p>Note: Where the commitment is held by an overseas financial institution and the document provided is in a foreign language, your customer must provide a copy of the documents with an English translation from a translator at the level of professional translator (or above) currently accredited by the National Accreditation Authority for Translators and Interpreters Ltd (NAATI). The document and the translation must be sent to the application.</p>	
OFI loans and limit facilities which have been newly established within the past month so there is no evidence on CCR and the first statement has not been issued yet	<p>Obtain a letter/document from OFI which confirms the new liability and limit or loan amount approved. The document must include the account holder's name and either the repayment amount + loan amount (for fixed facilities) or limit (for limit facilities).</p> <p>Include clear application comments to advise that the above document(s) have been obtained as the CCR data for this commitment has not started reporting yet.</p>	
Margin Loans	Verify loan details to margin loan statement and include the outstanding balance in the balance sheet.	
Lease	If the lease is...	Then...
	Deducted via salary sacrifice	Ensure the full repayment amount is included.

		Refer to instructions in the Eligible Income - Salary Sacrifice Arrangements page.
	Paid via direct debit	Refer to requirements for OFI loans and limit facilities above.
Rental and board	Rental and board is only required to be verified if it will continue after the loan funding.	
	Arrangement	Verification documents required
	Rental Payments made to a Real Estate agent or via private lease agreement	One of the following: <ul style="list-style-type: none"> ▶ 1 month's transaction account bank statements and/or Internet banking transaction listing ▶ Current lease agreement ▶ Statement or letter from the managing agent (not acceptable for a private lease agreement).
	Rent or board paid to parents or related family member. This is only required where the declared rent or board is more than \$650 per month (\$150 per week).	Both of the following: <ul style="list-style-type: none"> ▶ 1 month's transaction account bank statements and/or Internet banking transaction listing ▶ Letter from parent or related family member
	Rent or board free arrangement (excluding spouse), e.g. applicant is living at home and not paying rent or board	A notional amount of \$650 per month (\$150 per week) is to be included in the application and servicing calculations for customers.
	Rent or board free arrangement when living with spouse, where the spouse holds the lease agreement/mortgage title and is not an applicant.	No verification required. Notional rent does not need to be applied.
	Workplace arrangement with employer to have their rent / accommodation paid for or subsidised	Provide evidence of the employer provided rent via a payslip or employment contract.
Note: Where a borrower has declared they're paying rent or board which is less than \$650 per month, the minimum acceptable rental amount of \$650 per month must be used (unless it is a rent free arrangement when living with spouse). If you believe that notional rent should not apply, ensure you include details in the application comments.		
Child maintenance (non-court ruled)	Verify the amount declared by the applicant to one of the following: <ul style="list-style-type: none"> ▶ 1 month's transaction account statements; or ▶ 1 payslip showing the payment. ▶ Note: For shared custody arrangements, refer to the Monthly Living Expenses page on how to capture the commitment and household details 	
Child maintenance (court ruled)	Verify the amount declared by the applicant to both of the following: <ul style="list-style-type: none"> ▶ 1 month's transaction account statements or one payslip showing the payments; and ▶ Family Law Court Order. ▶ Note: For shared custody arrangements, refer to the Monthly Living Expenses page on how to capture the commitment and household details 	
Centrelink debt	Verify the total Liability amount owing and repayment amount declared to the following: <ul style="list-style-type: none"> ▶ Centrelink statement showing total liability. Note: Where the repayments are being deducted directly from the customer's current Centrelink payment, only the Centrelink statement showing the total liability and	

	<p>CommBroker payment, only the CommBroker statement showing the total liability and repayment amount is required.</p>										
Court ruled debt	<p>Verify the repayment amount declared to the following:</p> <ul style="list-style-type: none"> ▶ Court Order. 										
Australian Tax Office (ATO) debt	<p>Verify the total Liability amount owing and repayment amount declared to the following:</p> <ul style="list-style-type: none"> ▶ ATO issued correspondence/statement outlining the repayment schedule. 										
Government study and training support loans	<p>Study and training support loans are available from the Australian Government to help complete further training and study. These include:</p> <ul style="list-style-type: none"> ▶ Higher Education Help Program (HELP) (Previously known as Higher Education Contribution Scheme (HECS)) ▶ VET Student Loan (VSL) ▶ Student Start-up Loan (SSL) & ABSTUDY Student Start-up Loan (ABSTUDY SSL) ▶ Trade Support Loan (TSL) ▶ Student Financial Supplement Scheme (SFSS) <p>The balance provided by the customer is acceptable so there's no need for verification. Please refer to the ATO website to confirm the Study and training loan repayment thresholds and rates.</p> <p>The repayment is calculated on the Gross Annual Eligible Income used for servicing.</p> <p>Example: if an applicant's assessed income for servicing is \$69,550 per annum.</p> <table border="1"> <thead> <tr> <th>Income type</th><th>Gross Annual Eligible income for servicing</th></tr> </thead> <tbody> <tr> <td>PAYG Base</td><td>\$50,000</td></tr> <tr> <td>PAYG Bonus</td><td>\$8,000 (\$10,000 x 80%)</td></tr> <tr> <td>Rental</td><td>\$11,550 (\$15,000 x 90% less rental expenses of \$1950)</td></tr> <tr> <td>Total income</td><td>\$69,550</td></tr> </tbody> </table> <p>Then income to calculate the rate on is \$69,550.</p> <p>Note: A customer may elect to pay their Government study and training loan repayments from their PAYG salary. If this has been confirmed with the customer, and salary credits are being used to verify income, there is no need to include a commitment amount for Government study and training loan for servicing as it would have already been deducted from the customer's (gross) income.</p>	Income type	Gross Annual Eligible income for servicing	PAYG Base	\$50,000	PAYG Bonus	\$8,000 (\$10,000 x 80%)	Rental	\$11,550 (\$15,000 x 90% less rental expenses of \$1950)	Total income	\$69,550
Income type	Gross Annual Eligible income for servicing										
PAYG Base	\$50,000										
PAYG Bonus	\$8,000 (\$10,000 x 80%)										
Rental	\$11,550 (\$15,000 x 90% less rental expenses of \$1950)										
Total income	\$69,550										
Conditional gifts	<p>Verify amount and details of any repayment arrangement to the following:</p> <ul style="list-style-type: none"> ▶ A signed letter from the provider if gift is \$100,000 or above. <p>Note:</p> <ul style="list-style-type: none"> ▶ If the conditional gift is below \$100,000, then customer declared commitment can be relied on. ▶ If the gift is conditional, i.e. there are agreed repayment arrangements, it's expected these repayment arrangements wouldn't commence until the borrowers are in a position to make these additional repayments without impacting their ability to meet their commitment to the Bank. ▶ If you aware repayments are to commence when the loan is funded, make sure you included these repayments as commitments when assessing serviceability. 										
Working capital loans (e.g. PayPal Working Capital)	<p>Obtain the Loan agreement/contract schedule.</p> <p>Identify the minimum payment and convert this amount to monthly repayment amounts.</p> <p>Add as an ongoing commitment.</p> <p>Obtain evidence that the most recent required repayment has been made.</p>										

Confirm the liability declaration with the customer:

Have you asked and has the customer confirmed all their commitments and liabilities have been disclosed to the Bank (e.g. loans from other institutions, ATO debts, child support, loans from friends or family members)?

If...	Then...
Yes	Select 'Yes' and proceed with the application.
No	Update the application with all the additional commitments advised by the customer. Note: you are unable to proceed with the application until the response to this question is 'Yes'

Confirm the account conduct declaration with the customer:

Have you asked and has the customer confirmed they are up-to-date and will continue to be up to date on repayments for all their commitments and liabilities and are not aware of any outstanding debts or disputes with third parties?

If...	Then...
Yes	Select 'Yes' and proceed with the application.
No	Obtain an explanation from your customer and, where available, evidence of the most recent payment being made. Proceed with the application.

MONTHLY LIVING EXPENSES

Discussion with the applicant as to what living expenses are incurred on a monthly basis needed to maintain a reasonable standard of living. No verification is required. Refer to [Monthly Living Expenses](#) for further details on capturing Monthly Living Expenses and Household details.

RENTAL EXPENSES FOR INVESTMENT PROPERTIES

A customer's investment property expenses (rental expenses) are to be captured at the individual property level where rental income