Commonwealth Bank

Search

Credit Policy

Rural Residential Property

Back to Satisfactory Security

<table>
<tr><th>Acceptable Rural Residential Property</th><th>Criteria</th></tr>
<tr><td>Rural properties up to 50 hectares with a completed dwelling</td><td>
Must have a dwelling on it and be zoned by the local government for residential occupancy
Required to be connected to all normal services (i.e. water, sewerage, electricity etc.)
Property must be fully accessible with legal access
Income generated by the property (total turnover/sales) cannot exceed 25% of the total other eligible income included in the application
Income from the property can be utilised in servicing including addbacks (e.g. interest and depreciation), any losses (if applicable) must also be included
Income from the property must be verified as part of the current Eligible Income (i.e. Self Employed, Rental Income

Notes:

External valuation is required. Valuation must be ordered through CommVal or manually via the Credit Team where CommVal does not allow you to order
Property is to be valued on the basis of house and land only (i.e. not a ‘going concern’ or ‘in use’ value).
Valuation must evidence property is within permitted use rights i.e. can have a residential dwelling
</td></tr>
<tr><td>Rural properties in excess of 50 hectares and up to a maximum of 100 hectares may be considered as an exception by Credit where the following criteria have been met</td><td>
In addition to the above criteria; the
LVR against the proposed property does not exceed 70%
Can only be used for owner occupied purposes
Not acceptable for loans with LMI or LDP
</td></tr>
<tr><td>Rural properties up to 50 hectares with vacant land</td><td>
Property is zoned by the local government for domestic occupation
Loan repayment capacity is not dependent upon income generated from the property
Land is devoid of any improvements

Notes:

External valuation is required. Valuation must be ordered through CommVal or manually via the Credit Team where CommVal does not allow you to order
Property is to be valued on the basis of land only (i.e. not a ‘going concern’ or ‘in use’ value)
Vacant land size greater than 11 hectares is unacceptable security for loans with LMI or LDP.
</td></tr>
</table>

Determining whether the total turnover/total sales is greater than 25% of the other household income (determine security eligibility)

<table>
<tr><th>Step</th><th>Action</th></tr>
<tr><td>1</td><td>Review the most recent financials evidencing income generated from the property.</td></tr>
<tr><td>2</td><td>Determine the total turnover/total sales (before expenses) from the financials.</td></tr>
<tr><td>3</td><td>Determine the total other eligible household income used in the application.</td></tr>
<tr><td>4</td><td><table>
<tr><th>If...</th><th>Then...</th></tr>
<tr><td>Percentage is 25% or less</td><td>The property is eligible</td></tr>
<tr><td>Percentage is greater than 25%</td><td>The property is not eligible under this process but can still be considered as a secondary security</td></tr>
</table></td></tr>
<tr><td>5</td><td>End of process.</td></tr>
</table>

Examples:

	Example 1	Example 2	Example 3
Income - PAYG	$100,000	$100,000	$100,000

Income – PAYG	$100,000	$100,000	$100,000
Rental income (from another property	$11,800	$11,800	$11,800
Turnover from property	$10,000	$20,000	$40,000
Percentage of turnover from the property over other eligible income	10,000/(100,000+ 11800)= 8.94%	20,000/(100,000+ 11,800)= 17.89%	40,000/(100,000+ 11,800)= 35.78%
Acceptable security?	Yes	Yes	No

Determine when income generated from the property is to be considered for servicing purposes

Note: Income generated from the property which is used for servicing purposes must be from the customer’s own business/es.

Security type	Rental income	Income generated from the property	Apply net losses
New/Purchase property	Yes	No*	No*
Existing/proposed property where the applicant has generated income	Yes	Yes**	Yes

*where the business has been run by the applicants who are now looking to purchase the property. In this scenario, where the property has recorded a net loss, the loss would have to be included in the application.

**Where the customer confirms their intention is to continue the income generating activity attached to the land.

The income used for servicing purposes must be the net profit/loss position (i.e. after expenses). To determine the net profit/loss position, follow the Self-Employed (full verification) process.

It is not always necessary to utilise the net profit generated from the property for servicing purposes however where there is a net loss recorded in the applicant’s financials, the loss must always be recorded.

Examples:

	Example 1	Example 2
Income – PAYG	$100,000	$100,000
Property Income (NPBT + Addbacks)	Income: $10,000 Expenses: $2,000 NPBT: $8,000	Income: $20,000 Expenses: $25,000 NPBT: (-$5,000)
Income for servicing	$108,000	$95,000

Security & privacy | Site map | Important information | Other sites | © Commonwealth Bank of Australia 2009 ABN 46 123 123 124