Commonwealth Bank

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Credit Policy | Debt to Income (DTI) Ratio

What	As part of meeting our regulatory obligations, which includes responsible lending, the Debt to Income (DTI) ratio will be used to determine the customer's capacity to repay their loan. DTI defines the Debt to Income ratio for an application. **Debt ÷ Income = DTI** • The debt component is the total of the applicants existing debt (after any variations) and new debt (i.e. the new proposed loan amount (including any capitalised fees and LMI)). Higher Education Loan Program (HELP/HEC) and Charge Cards are also included in debt calculations. • The income component is the total of the applicants gross income.
Why	DTI is an important measure to ensure we mitigate the risk of over-leveraging customers. Where the DTI is high, i.e. customers have a large total debt as compared to their gross income, and their personal situation changes (income sources no longer available (e.g. bonus, overtime)), there is a higher risk that customers will not be able to afford their repayments.
How	The Serviceability Calculator will automatically calculate the DTI for the application. Where the DTI is high a DTI prompt will state: **"The debt to income ratio is high. Ensure all income sources and account variations are captured accurately".**
Resources	The DTI for the application will be a factor in determining a customer's capacity to repay their loan. To help support the application where DTI is high, leave detailed comments on the stability of the customer's overall income position. For example: • High income stability (such as income predominantly comprising of base income, net profit or consistent sources). • High stability of employment (with details of years in current employment, same industry or current business).