INCOME

Base Salary (PAYG)	Shading used
Commission	80%
Bonus	80%
Overtime	80%
Essential Overtime	100%
Foreign PAYG Income	80%
Investment Income	80%
Interest Income	80%
Annuities	90%
Allowances	100%
Second Job	100%
Gov Payments	90%
Gov Pensions	90%
Child Maintenance	90%
Other Taxed	
Other Tax Free	
Rental Income	70%
Self Employed	SEE BELOW

Calculation Method

Regardless of the method used all business and personal commitments must always be included in servicing calculations.

Full Verification

Step 1

Enter the business income (including profit/loss) as per the self-employed calculator.

Note:

When entering the one year's self-employed income, you will need to input the same income details in both years to ensure the correct income average is calculated.

For trust applications, where the net profit/loss has been fully distributed the amount is to be captured as $0

Step 2

Enter any of the below acceptable addbacks (only if required for servicing):

Interest expense - Where the interest expense is to continue, the related commitment must be included in servicing

Depreciation expense – The write down of assets used in producing income

General depreciation is normally accounted for over a number of years and should be added back as a depreciation expense. Where the full depreciation is written off in the first year - under either 'Simplified Depreciation' or "Instant Write Off' the addback should be included as a Non Recurring Expense.

Amortisation - The write down of intangible assets

Lease/Hire Purchase - Where the lease/hire purchase is to continue, the related commitment must be included in servicing

Non-recurring expenses - Full details of the non-recurring expenses are necessary to justify why it should be added back

Non-recurring income (deduction) - Details of the non-recurring income must be obtained

Superannuation* – The amount paid in excess of the compulsory superannuation contribution set by the ATO

***** Superannuation is to be added back as **taxable** income.

Income/Salary drawn by the customer from the business must be entered in the application as personal income. This is to be recorded within the income field as a 'wage/salary'.

Step 3

Refer to example below

Client Self Employed Income - XYZ Pty Ltd

Description	Profit/Loss Type	Most recent year
	Year Ended	30/6/20
	Number of Months	12
	Net Profit (Loss) before Tax	$14,647
Add Backs	Interest	$34,696
	Depreciation	$6,112
	Amortisation	
	Lease	$26,500
	Hire Purchase	
Non-Recurring Income	Profit on Sale of Asset	0
Non-Recurring Expenses	Bad Debt Write Off	$5,000
Total Available Monthly Income		$7,246
Total Available Annual Income		$86,955

Description	Income Type	Most recent year
Total Personal Income - Applicant 1 (drawn from the business)	Wages	$50,000

Total Business and Personal Income

Description	Most recent year
Total Business Income	$86,955
Total Personal Income - Applicant 1 (drawn from the business)	$50,000
Total Available Income	**$136,955**

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**

variations) and new debt (i.e. the new proposed loan amount (including

	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".**

Credit Policy | Calculating Product Commitments

What	Below we provide product specific calculations to help you
Why	When **calculating existing commitments** for a customer it
How	This table **provides calculations by product type** as well as 'how to' examples:

PRODUCT	CALCULATION - AT ORIGINATION
Home Loan/Investment Home Loan	**Amortise** the **loan amount** (including any undrawn balance and special repayments) at the **assessment rate** over the **remaining principal and interest term** of the loan **plus the monthly fee**. **Note:** Assessment rate is higher of: A floor rate of 5.10%or Actual interest rate + an interest rate buffer of 2.50% **Note:** Inclusion of the **monthly fee** only applies to CBA loans. **Note:** For existing fixed rate loans, use the rate the applicant is paying at the time of application.
Viridian Line of Credit (VLOC)	**Amortise** the **limit** at the **assessment rate** over the **lesser of 25 years or the term to customer's expected retirement age plus the monthly fee.** **Note:** Assessment rate is higher of: A Floor rate of 5.10 or Actual interest rate + an interest rate buffer of 2.50% **Note:** Inclusion of **monthly fee** only applies to CBA loans**.**
Variable Rate Personal Loan	**Amortise** the **loan amount** (including any undrawn balance and special repayments) at the **actual interest rate** over the **remaining principal and interest term** of the loan **plus the monthly fee**.
Fixed Rate Personal Loan	Use **contracted** (National Consumer Credit Loan (NCC) Schedule) **loan repayments**.
Personal Overdraft	Multiply limit by **3%** per month.
Credit Cards (all types)	Multiply limit by **3.82%** per month (minimum $25/month) **Charge cards** do not have a limit so are not to be included as a commitment; expenditure on these cards should be considered for inclusion in monthly living expenses provided by the customer.
HECS/HELP	HECS/HELP is the student loan that's payable out of someones taxable income. The montly repayment towards the HECS debt is based on the persons annual taxable income. **Refer to the ATO 2020-2021 Repayment Thresholds - https://www.ato.gov.au/Rates/HELP,-TSL-and-SFSS-repayment-thresholds-and-rates/**
Commercial Credit Cards	Multiply limit by **3.82%** per month (minimum $25/month)
All Margin Loans	Excluded from serviceability calculations. Don't include the monthly commitment or any income from associated investment.
All Overseas Loans	Convert repayments into Australian Dollar (AUD) by using CommBank "Sell" rate **Example:** Monthly repayment: USD 1,000. Calculation: USD 1,000/0.64 = $1,563/month
Equipment finance facilities (e.g. Hire Purchase, Lease, Equipment loan, Flexirent, etc.)	Use existing loan repayments.
Overdraft, Business Line of Credit or Other Commercial 'revolving' Credit Facility	Amortise the **limit** at the **Assessment Rate** over a notional **15 year term**.

	Note: Assessment rate is higher of: A floor rate of 5.10% or Actual interest rate + an interest rate buffer of 2.50%
Better Business Loan or Other commercial 'reducing' credit facility (except Commercial Bill)	**Amortise** the **loan amount** at the **Assessment Rate** over the **remaining principal and interest term of the loan**. **Note:** Assessment rate is higher of: A floor rate of 5.10% or Actual interest rate + an interest rate buffer of 2.50% **Notes:** other commercial 'revolving' credit facility calculation. component that is reducing, i.e. the amount of residual / balloon may be ***Note:*** *For loans held with Other Financial Institutions (OFI), a **servicing loading of 30%** will be added automatically by the system to the principal and interest repayment amount **instead of using an Assessment Rate**.*
Commercial Bill	Multiply limit by **1.5%** per month.