



AFG Home Loans Edge Update

We're introducing a number of credit policy changes, effective Saturday 12 December 2015.

As a valued partner, we want to equip you with the knowledge, tools and support so you can deliver the best possible experience to your customers.

These changes align to industry-wide recommendations made by APRA and ASIC and ensure we continue to deliver best practice lending standards into the Australian market.

Knowledge is Everything

In the Knowledge is Everything road shows we delivered to you in August, we explained some of the changes happening in the industry. Listen to Anthony Waldron, Executive General Manager of Broker Partnerships at NAB provide some insight into the upcoming changes and what they mean for you and your customers.



What is changing?

Policy	Current State	From 12 December 2015
Household Expenditure Measure (HEM)	The applicant's marital status and number of dependents is used to measure their household expenditure.	In addition to marital status and number of dependents, the household income of the applicant(s) will also be used as a household expenditure measure.



<p>Calculating serviceability for Interest Only loans</p>	<p>Interest Only loans are assessed for serviceability over the full 25 or 30 year loan period as Principal and Interest repayments.</p>	<p>Interest Only loans will have their serviceability repayments calculated over the residual Principal & Interest term only.</p> <p>The way we calculate serviceability on new Principal & Interest loans won't change. This will mean that, all else being equal, a customer will be able to borrow more via a Principal & Interest loan, compared to an Interest Only loan.</p>
<p>Changes to uncertain income</p>	<p>'Uncertain' income such as overtime, commission, bonuses and investment income are assessed at 100% of their value.</p>	<p>For assessment purposes, a shading of 20% will be applied to the overall value of the following uncertain income types:</p> <ul style="list-style-type: none"> • Overtime • Commission • Bonuses • Investments (including Dividends) <p>This means that they will now be assessed at 80% of their value.</p> <p>Click here for more information on uncertain income eligibility and verification requirements</p>
<p>Income verification – Bank Statements</p>	<p>Bank statements must be provided for income verification purposes and follow the below criteria:</p> <ul style="list-style-type: none"> • Minimum 3 months for full time / part time PAYG income • Minimum 6 months for casual / contract PAYG income 	<p>An additional requirement that statements can now be up to 60 days old as at the application lodgement date.</p>
<p>Refinance statement verification</p>	<ul style="list-style-type: none"> • Loan statements provided for verification must be no more than two months old, as at the application lodgement date. 	<ul style="list-style-type: none"> • Loan statements provided for verification must be no more than one month old, as at the application lodgement date.



	<ul style="list-style-type: none"> A minimum of three months credit card statements must be provided where a credit card is being refinanced. 	<ul style="list-style-type: none"> Minimum of three consecutive months of credit card statements must be provided, showing customer's name, credit card limit and credit card balance.
Valuation report validity	The valuation report must be no more than 90 days old at the date of settlement.	The valuation report can now be up to 12 months old at the date of unconditional approval, except for loans with LMI and/or if the property is an inner city apartment. In these situations, the 90 day policy still applies.

Updated Credit Guidelines and supporting collateral

Our Credit Guidelines document and supporting collateral will be updated to reflect these changes in January 2016. The policy listed in this communication is effective from Saturday 12 December 2015.

New Excel Serviceability Calculator

Our Excel Serviceability Calculator will be updated to reflect these changes and sent to you, by email, early next week. The existing Serviceability Calculator within your lodgement system will be updated in February 2016.

Please ensure you submit the Excel Serviceability calculator which you will receive by email, early next week, with all new applications submitted from Wednesday 9 December 2015.

Process for in flight applications

- Applications received on or after Saturday 12 December 2015, will have the new policies applied.
- Applications received prior to Saturday 12 December 2015 and yet to be conditionally approved will be assessed using existing policy until 5pm (AEDT) Friday 4 January 2016, after which time the new policies will be applied to those applications still yet to be unconditionally approved.
- Applications that have been conditionally approved prior to Saturday 12 December 2015 will have existing policy applied for up to 90 days after this approval date. Where credit critical details are subsequently amended (loan amount, LVR etc) new credit policies will be applied regardless of this approval window.

If you have any questions, please contact your AFG Home Loans Business Relationship Manager.