



## AFG Home Loans Edge: Credit policy update

Dear business partner,

We're making enhancements to our credit policy to make it easier for you and your customers to do business with us. We've also updated our Serviceability Calculator to reflect the ATO's changes to tax bands and Medicare thresholds.

Please see below for the latest updates:

- **Updates to our credit policy:** We're making enhancements to our credit policy to make it easier for you and your customers to do business with us... ([read more](#))
- **Updated tax bands & Medicare threshold changes:** Effective Friday 24 February 2017, we're updating our tax bands and Medicare levy low income thresholds... ([read more](#))

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

Regards,

A handwritten signature in black ink that reads "B. A. Halliwell".

**Brett Halliwell**  
**General Manager**  
**Advantage Financial Services**



## Updates to our credit policy

Effective Friday 24 February 2017, we're making enhancements to our credit policy to help simplify our policy, and make it easier for you and your customers to do business with us.

Here's a summary of the changes, and your aggregator systems will be updated with the full updated AFG Home Loans Edge Credit Guidelines shortly:

Policy	Current policy	Change, effective 24 Feb 2017
<b>Casual &amp; contract employment income verification</b>	Casual or contract employment income can be used for verification by providing six months of bank statements (which are no older than 60 days), which contain the employer's name within the narrative.	<b>We're removing the requirement for bank statements / transaction listings to show the employer's name in the narrative.</b>  Note: Brokers must still be satisfied that 'employment income' is linked to the customer's employment.
<b>Verification of Bonus Payments</b>	We accept bonus payments provided they are submitted for the two most recent financial years and are supplemented by: <ul style="list-style-type: none"> <li>• Payslips, PAYG Payment Summary, or Reward Statements issued by the employer with details of all bonus payments received or Personal Tax Return over the two most recent financial years; OR</li> <li>• A signed letter from the employer detailing the bonus payment amounts paid over the most recent two financial years.</li> </ul>	<b>We'll now accept credits on bank statements / transaction listings as a method of verification for bonus payments.</b>  Bonus payments can now be verified using any combination of: <ul style="list-style-type: none"> <li>• Bank statement(s) and transaction listings that evidence receipt of the bonus payments for the last two financial years; OR</li> <li>• Payslips, PAYG Payment Summary, or Reward Statements issued by the employer with details of all bonus payments received or Personal Tax Return over the two most recent financial years; OR</li> <li>• A signed letter from the employer detailing the bonus payment amounts paid over the most recent two financial years.</li> </ul>
<b>Excluded loan purposes</b>	We have a list of Excluded Loan Purposes.	<b>We're removing the following from our list of Excluded Loan Purposes:</b> <ul style="list-style-type: none"> <li>• Loans that are not arm's length transactions;</li> <li>• Loans where the aggregate amount of unsecured debt being consolidated exceeds \$100,000.</li> </ul>



<p><b>Business Tax Return</b></p>	<p>To verify self-employed business income, we currently require either:</p> <ol style="list-style-type: none"> <li>1) Applicable personal, partnership, trust and/or company tax returns for the last two financial years, together with the two latest ATO Assessment Notices (where applicable); OR</li> <li>2) The last two financial years Accountant Prepared (Reviewed or Compiled) or Audited balance sheet and profit and loss statements.</li> </ol>	<p><b>Where tax returns are being used to verify self-employed business income, we will now only require the most recent ATO assessment notice (instead of the two latest), in addition to the two tax returns.</b></p> <p>New policy reads as follows:</p> <p>To verify self-employed business income, we require either:</p> <ol style="list-style-type: none"> <li>1) Applicable personal, partnership, trust and/or company tax returns for the last two financial years, together with the most recent ATO Assessment Notices (where applicable)</li> <li>2) The last two financial years Accountant Prepared (Reviewed or Compiled) or Audited balance sheet and profit and loss statements</li> </ol>
<p><b>Employment income – minimum employment periods</b></p>	<p>If an applicant's full time employment (PAYG) is less than six months; they must not be on probation and have held previous employment (in same field) for at least 12 months.</p>	<p><b>We're removing the minimum employment term requirement for:</b></p> <ul style="list-style-type: none"> <li>• Full time employment (PAYG)</li> </ul> <p>Note: The probationary period restriction will still apply</p>
	<p>There is a 12 month minimum employment term requirement for:</p> <ul style="list-style-type: none"> <li>• Permanent part time (PAYG)</li> </ul>	<p><b>We're removing the minimum employment term required for:</b></p> <ul style="list-style-type: none"> <li>• Permanent part time (PAYG)</li> </ul>
	<p>There is a 12 month minimum employment term requirement for:</p> <ul style="list-style-type: none"> <li>• Contract employment</li> <li>• Casual employment</li> </ul>	<p><b>We're reducing the minimum term from 12 months to 6 months for:</b></p> <ul style="list-style-type: none"> <li>• contract employment; and</li> <li>• casual employment</li> </ul>
	<p>There is a 2 year continuous employment requirement if the employment is a second job</p>	<p><b>There is no additional minimum employment term required when it is a second job.</b></p> <p>The minimum term will be based on the employment type only (e.g. permanent part time, casual etc.).</p>



<p><b>Family employees working in family business</b></p>	<p>Where family members work in a family business, the customer will need to provide the following for verification purposes:</p> <ul style="list-style-type: none"> <li>• One computer generated payslip with YTD showing at least 2 pay cycles; OR</li> <li>• If no YTD income details; two of the three most recent computer generated payslips; OR</li> <li>• Three months bank statements from a financial institution.</li> </ul>	<p>Where these current requirements cannot be met, and the customer is a family member employed in a family business (including customer's parents (including step and in-law), spouse, de-facto , grandparents, siblings, children, brother-in-law or sister-in-law, or legally appointed guardian), the customer's income can be confirmed by providing:</p> <ol style="list-style-type: none"> <li><b>a) the most recent tax return (must be no older than 21 months); and</b></li> <li><b>b) validated by ATO Notice of Assessment.</b></li> </ol>
<p><b>Construction loans</b></p>	<p>We specify that split contracts and cost plus contracts are unacceptable construction types.</p>	<p><b>We're clarifying our policy by adding the following to our unacceptable construction types:</b></p> <ul style="list-style-type: none"> <li>• "any building contract that allows progressive payment for construction beyond work completed (e.g. Simple Works Contract)"</li> </ul>
	<p>We release payment of up to a maximum of 5% of the Fixed Price Building Contract prior to commencement of construction (i.e. Deposit &amp; first stage)</p>	<p><b>We're increasing the maximum amount we'll release prior to commencement of construction</b> (i.e. deposit &amp; first stage) from 5% to 10%.</p>
	<p>We order a progress inspection report at Lock Up stage and Completion stage.</p>	<p>We will no longer order a progress inspection at Lock Up stage.</p> <p>Instead we will order one at <b>Base stage</b> and Completion stage only.</p>

### Pipeline process

- The current policy will be applied to all new applications (including increases) submitted prior to 5pm (AEDT) on Friday 24 February 2017.
- The new policy will be applied to all new applications (including increases) submitted after 5pm (AEDT) on Friday 24 February 2017.

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



## Updated tax bands & Medicare threshold changes

Effective Friday 24 February 2017, we're updating our tax bands and Medicare levy low income thresholds to bring them in line with the latest ATO income tax rates and Medicare thresholds for the financial year 2016-2017.

Changes have been made to the **Excel Serviceability Calculator** to accommodate these changes. You can access the latest version of the [AFG Home Loans Edge calculator here](#), which is effective from Friday 24 February 2017.

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

*This document was prepared and issued by Advantage.*