Overview of the recent Policy changes

Further to the recent Policy updates the following items have been updated in the servicing calculator:

- Interest add back removed and replaced with tax gearing benefit
- HEM changes
- Postcodes fields added (high risk postcodes as per Genworth)
- Policy changes income types
- Servicing calculator updated inline with policy changes.

Overview of updated Servicing Calculator

So what is new on the Servicing Calculator…..

Tab one “Loans”:

- New fields for LMI & CCI
- DLAA will wok off base loan amount and not take into consideration loan fees, CCI and LMI. However DTI and NDI are based on total loan amount including capitalised fees.
- Fees drop down added to allow for capitalise/deduct
- Restricted postcodes have been added
- Income types updated:
    - ‘Overtime (non-essential services)’ new category added which will be scaled to 80%
    - ‘Car Allowance’ added at 100% scaling
    - ‘Maternity Leave’ existing category changed from 50% to 100%
    - ‘Child Support’ existing category changed from 100% to 70% scaling
    - ‘Interest Add back’ category removed
- Ability to add extra income row
- DLAA Matrix updated to include:
    - LVR
- HEM updated in line with Q2 Nov 2019 data from Melbourne University
- To the right hand side:
    - there is a summary of the second tab
    - Total monthly loan repayments at sensitised rate will be shown
- Personal Expenses section will add the expenses from tab two and workout if there is a HEM difference.

Overview of updated Servicing Calculator

So what is new on the Calc…..

Tab two “Inv Property & Other Mortgages”:

- Ability to add up to 5 investment properties
- Under each investment property you must enter the following:
  - Full address – including postcode (this will drive the restricted postcodes)
  - Full loan details including I/O and P&I period for correct calculation of sensitised repayments
  - Full rental expenses:
    - For existing investments enter expenses as per Income Tax Return for preceding year
    - For new investments, details discussion of what member expects to spend in each category will be required and that amount should be entered.
- Borrowers Share of property
  - If in joint names split 50/50
  - Also note no-borrower
  - Total must be 100%
- Loan tax deductible will generally always be 100% unless otherwise noted.
- Expenses tax deductible will generally be 100% if taken from tax return. If new you will need to ascertain share of expenses (generally in line with share of property)
- Weeks rented in year – this will allow for annualisation of income and expenses if rented out for less than 52 weeks.
- Tax Gearing Benefit will then be used to adjust rental income tax in tab one. In effect the tax benefit on the income minus expenses of the investment property will adjust the borrowers taxable income by increasing/decreasing tax applied.