



Net Surplus Calculator Version 5.0.74 Effective 27 September 2021

A new version of the Net Surplus Calculator has been developed and will be **effective 27 September 2021**.

In the coming weeks we will distribute a credit policy update to further explain policy changes addressed in this release.

Both the Protected and Unprotected version of the calculator are attached. The Unprotected version must not be distributed, and is attached only for the purpose of software integration. The protected version may be distributed to your brokers.

The version contains the following changes:

Remaining P&I Loan Term and Contractual Rates

New fields to capture remaining P&I Loan Term (m) and Contractual Rate (%) have been added to the existing commitment section within the calculator.

These fields have been included to facilitate changes to the sensitised Interest rate calculations for the existing residential mortgage commitments.

Existing V5.0.73 metric:

- Principal and Interest (P&I) facilities sensitised repayments are calculated as the amount owing x Interest Rate Buffer of 2.5% divided by 12 + Monthly Payment
- Interest Only (IO) and Line Of Credit (LOC) facilities are calculated as interest floor rate of 5.25% on the outstanding balance over 25 years

Future V5.0.74 metric:

- P&I and IO facilities where the remaining term is known, the sensitised repayment will be Sensitised Interest Rate on the (Principal Balance) over the Remaining Loan Term on a P&I basis. No calculation will be available for these facilities where the remaining term is unknown.
- LOC facilities where the remaining term is known, will be Sensitised Interest Rate on the (Principal Balance) over the Remaining Loan Term on a P&I basis
- Where the remaining term is unknown the LOC facilities will be the Sensitised Interest Rate on the (Principal Balance) over the default LOC P&I term (25 years).

Sensitised Interest Rates

Sensitised Interest Rates on all existing residential mortgage facilities (IO, LOC, P&I) will be as follows:

- Where the contracted rate is known this will be the greater of Interest Floor Rate (5.25%) or the Contractual Interest Rate + Interest Rate Buffer (2.5%).
- Where the contracted rate is not known this will be the greater of Interest Floor Rate (5.25%) or the Proxy Interest rate (3.78) + Interest Rate Buffer (2.5%).

Please note: the Proxy Interest Rate will be reviewed by the business every 6 months

Living Expense calculations, and Maximum Borrowing Amount (MBA)

In previous versions all living expenses were calculated as a single amount and added as Declared Living Expenses (DLE) which was then also used to calculate Max Borrowing Amount over 30 years.

In Version 74 living expenses will be broken up into 3 categories - Basic, Non-Basic and Excluded. This will align Adelaide Bank with industry standard LIXI standardised living expense categories, further information and explanation of these categories can be found [here](#).

This change means Basic Expenses will primarily be used to assist with establishing the applicant(s) Maximum Borrowing Amount (MBA) over 30 years. However, all 3 categories (Basic, Non-Basic and Excluded) will continue to contribute to the overall affordability calculation.

The calculation of Applicable living expenses is as follows:

The greater value of HEM or Basic living expenses + Non Basic and Excluded expenses.

NB: The use of the term 'excluded' means excluded from the definition of Basic living expenses only. Excluded expenses are still used to calculate applicable living expenses.

Income types

Additional fields have been added to the income section of the calculator, including:

- income type of Managed Investment has been introduced within the "Other Income Inputs" section to capture any income from share portfolio/managed funds or Distribution from property trust. This income type will have a sensitisation rate of 80%
- Dividend income type has had a change to the sensitisation rate from 90% to 80%
- Centrelink field within the Addbacks (PAYG) section has been renamed to Centrelink/Child Support

NB: Where more than 50% of income used for serviceability is sourced from child support or a combination of child support and government benefits then a

warning message will be displayed “If Govt. Benefit and/or Child Support is greater than 50% of total income. Application must be reviewed and accepted by a higher DLA”

HEM Changes

- HEM figures as provided quarterly by the Melbourne Institute for the March Quarter 2021.

There have been no changes made to the current Go Between/Bridging calculator version 65.

For any technical related queries please [contact us](#).

**Regards,
Third Party Banking Support**



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