



Residential Credit Policy Release – 8 December 2022

Please note the following credit policy updates will be effective **8 December 2022**.

New Inclusion

19.8 Property Investor

To meet APRA requirements, including for capital treatment a new policy outlining when an applicant would be considered a ‘Residential property investor’ will be introduced.

The applicant would be considered a ‘Residential property investor’ where the application is for a residential investment loan; inclusive of:

- Submitted application is predominantly reliant on rental income to meet minimum serviceability requirements (i.e. rental income forms more than 50% of their total gross income for serviceability) **and**;
- The applicant owns or will own as a result of the application being considered (or owns an interest in) 5 or more mortgaged residential properties (excluding the applicant’s primary owner occupied residence);
 - Additional guidance on the assessment of the number of mortgaged residential properties relating to:
 - Multiple units on one title – each unit is included separately;
 - Granny flats; and
 - Vacant land

For inflight applications related to this change:

#	Scenario	Policy Application
1	Application submitted pre 8 December 2022 and is formally approved	No action required
2	Application submitted pre 8 December 2022 & is conditionally approved	No action required
3	Application submitted pre 8 December 2022 & no decision made	Current policy to apply, approval required by DLA9 holder
4	Application submitted pre 8 December 2022, is approved, returned to assessor post 8 December 2022, NO changes to approval conditions required	Proceed as per current policy (as long as the approval is still valid)

5	Application submitted pre 8 December 2022, is approved, returned to assessor post 8 December 2022 & changes to approval conditions are required	Assessed as per new policy
6	Application submitted on/after 8 December 2022	Assessed as per new policy

Minor Policy Changes

11.5 Calculator Changes – DTI changes

As part of the revision of the APRA APS220 changes have been made to the calculation of the Debt to Income (DTI) ratio for residential mortgage lending. It will now include HECS/HELP debt and Buy Now Pay Later (BNPL) facilities in the calculation.

- BNPL facilities included in the calculation of DTI will be limited to those with a credit limit.
- BNPL that are a one-off arrangement will continue to be included in the living expenses.

11.6.3 Negative gearing rate

A change of methodology for the calculation of the negative gearing rate is being implemented into the serviceability calculator (NSC).

- Recurring quarterly reviews will occur in line with future calculator releases.
- Regular reviews will provide the customer with a more accurate and competitive negative gearing benefit based on a more timely proxy investor loan interest rate.

Changes have also been made to **19.1 Multiple units in a single development** and **16.1 Maximum LVR matrix** to support this new policy.

Specialised Security changes

A full review of section **19 Specialised Security** was undertaken with the following changes being made:

- **(19.2)** Clarification that gated communities/low rise townhouse developments are not considered high density
- **(19.2)** Currently high density units/apartments require every room to have a window, this has been amended to allow a glass door receiving natural light as an acceptable alternative
- **(19.4)** Clarity around dwelling sizes and removing process around pre-approval from the 'Off the plan' purchases
- **(19.7)** High risk locations: ValEx overrides are no longer permitted for any applications, therefore this note has been removed. Minor wording changes, but no change to intent of policy.

Acceptable and unacceptable security policy

- **17 Acceptable Security** and **18 Unacceptable Security** have been reviewed, included combining the two sections into a simplified table, remaining as section **17 Security**.

- **21.3 Valuation requirements:** Risk rating 5 requirement has been removed as it outlined in the Valuations policy. The concentration exposure settings amended to same borrower relationship rather than just the applicant.

The updated Residential Lending Policy will be made available from the effective date.

If you have any questions regarding these changes, please contact your Partner Relationship Manager.



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