



## Residential Credit Policy Update – 21 April 2023

The following Residential Credit Policy updates will take effect from **21 April 2023**.

### **Employment and Income Matrix**

Due to low vacancy rates, the percentage of rental income used for servicing will increase to 90% for security in Categories 1, 2 and 3. Category 4 locations to remain at 60%.

**Note:** The full rental income is to be input and the reduction will be applied automatically.

### **Calculation of Living Expenses**

To mitigate the risk of utilising the higher percentage of rental income in the serviceability assessment, the higher of the actual rental property expenses or a minimum 10% of the gross rental income for each property must be included as part of rental property expenses.

**Note:** The actual rental property expenses are to be input and this requirement will be applied automatically.

### **Qualifying Interest Rate for Negative Gearing**

Methodology amended for calculation of the negative gearing benefit. The most recent investor interest rate published by the RBA will be adopted for this calculation and reviewed on a quarterly basis.

### **Calculation of Serviceability Ratio /Debt to Income (DTI) Ratio**

Credit card amortisation rate used for serviceability to be reduced from 4% to 3.82%. This change will more accurately reflect repayment of this facility within a three-year timeframe.

**Note:** The credit card limit is to be input and the rate will be applied automatically.

### **Maximum LVR for Construction Loans**

Formal introduction to Policy - LVR maximum with LMI reduced from 95% to 90% (exclusive of LMI) for construction loans. This change provides a more conservative approach to construction lending given the uncertainty within the construction industry and coincides with the underwriting policy setting changes set forth by Helia.

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



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