



## Residential Credit Policy Update - 19 October 2023

The following Residential Credit Policy updates will take effect from **19 October 2023**.

### Loan Purpose and Documented Evidence

Policy has been updated to clarify that the loan type (owner occupied and investment) is determined by the purpose of the funds, not the underlying security.

Policy has been updated to clarify owner occupied and investment property definitions.

- **Owner occupied:** A loan used to purchase the *principal place of residence* that the applicant resides in most of the time. An applicant can only have one owner-occupied loan except under the following scenarios:
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  - Borrowing to construct a future *principal place of residence* property (including vacant land and construction).
  - A bridging loan to purchase or construct a future *principal place of residence*.
  - Renovation of the *principal place of residence*.
  - Consolidation of personal debts or cash out for personal use (e.g., motor vehicle).
- **Investment:** Any loan that does not meet the above is classified as Investment.

### Employment and Income

A review of our Employment and Income section has been finalised with numerous changes that will occur including:

#### PAYG Changes

- **Car allowance income:** The full car allowance can now be utilised with car expenses to be included with living expenses. Either a payslip or a lodged Tax Return can be used to verify Car Allowance income.
- **Parental Leave:** We no longer require return to work arrangements in writing from the applicant, for acceptance of 'Parental leave' and 'Return to work' payments.
- **Second job income:** To be calculated as per appropriate income type, e.g., part-time income is calculated as per standard part-time requirements.
- **Casual Education Employees:** Clarification that our 40 week annualisation requirement in current policy, only applies to those required to take mandated annual leave, aligning with school holiday employer requirements.
- Amended Family Tax Benefit A and B income type restrictions, to dependant age limit of 11 years old.

### Self-Employed

- Self-employed applicants minimum trading reduced from 2 years to a full financial year, (LMI 2 year trading and verification requirements still apply).
- The most recent 12 months ICAS/ICAL are required to confirm any outstanding tax.
- Details added to clarify when Family and Discretionary Trust distributions are acceptable income:
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  - The applicant must be a trustee and beneficiary of the trust, or be a director of the trustee company.
  - Verification documents:
    - A letter from the trustee's accountant confirming trust distribution amount paid to the applicant, and the distribution amount is ongoing, and the trust can meet all commitments without reliance on the distribution being paid to the applicant; OR
    - Latest Tax Returns being no greater than 18 months old. These are to be reviewed to ensure the trust can meet all commitments without reliance on the distribution to the applicant.
- An applicant(s) share of company profits can only be included as acceptable income where:
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  - The applicant or one of the applicants is the sole director of the company; OR
  - All company directors and shareholders are applicants.
- Accountant confirmation required for adding back abnormal expenses.
- Updates to depreciation add back requirements requiring justification of depreciation claimed. Depreciation schedule or accountant's letter to confirm.
- Removal of \$5,000 vehicle expense allowance.

If you have any questions, please contact Select Assist on 1300 738 336 or your Partner Relationship Manager.

Regards,

**Natalie Sheehan**  
**Head of Broker Distribution**



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