

Date: 8 March 2023

Re: Income Policy changes

Effective Tuesday, 19 March 2024, Heritage is making changes to our income policy to ensure our members have the capacity to service the loan now and into the future without substantial hardship.

What is changing in policy?

The policy has substantial updates; however, key changes include:

- Long Term Rental Income is now acceptable at 90% of actual.
- Short Term Rental Income is now acceptable at 60% of actual. Must be genuinely available for rent for a minimum of 12 months. While the income may fluctuate, income must be received regularly to be relied upon for serviceability.
- Non-Resident PAYG Income is acceptable at 80% of actual where local tax is applied and 70% of actual where there is no tax regime. Please note the list of unacceptable countries within full policy.
- Overtime is acceptable at 100% of actual for Emergency services employees, Health industry employees, Doctors, Nurses, Defence or Corrective Services employees, Other job roles and industries where overtime is a condition of employment. 80% of actual for all other occupations. Overtime is only to be included if it is regular and ongoing and must be able to verify at least 6 months of overtime income with current employer.
- Penalty rates are acceptable at 100% Emergency services employees, Health industry employees, Doctors, Nurses, Defence or Corrective Services employees. 80% of actual for all other occupations.
- Bonus Income is acceptable at 80% of actual if confirmed as a permanent ongoing condition of employment, and applicant has been working with the same employer for a minimum of 2 years at time of application.
- Commission Income is acceptable at 80% of actual. The applicant must be employed with the current employer ≥ 6 months.
- Parental/Return to Work Income is acceptable when applicant is currently on parental leave and is returning to work for their current employer within three months of the date of application. Please refer to our updated policy for full details.
- Casual Income is acceptable with a minimum 6 months in current position Where the current YTD covers a minimum of 6 months, annualise the current YTD income over 46 weeks.
- Seasonal Employment is acceptable at 67% of actual income where only one year of income data is available or 80% of income where two or more years of income data is available.
- For serviceability assessment a maximum of 50 hours per week can be used across all employment (primary and secondary). Where overtime or gross bonus income exceeds 50% of the applicant's base PAYG income and is required for serviceability assessment please refer to your BDM.
- Should an applicant have a component of their remuneration reduced via a salary sacrifice or non-taxed component if the salary sacrifice is confirmed by the applicant as being discretionary and can cease at any time, it can be used as income.
- Interest Income is acceptable at 80% of actual if it is regular, consistent and the interest generating investment is continuing after the loan has drawn down. Interest income cannot be more than 50% of the applicant's base income.
- Acceptable Government benefits cannot be more than 50% of base income received by the applicant. For joint borrowers the benefit cannot be more than 50% of the base income received by both applicants.

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- Child Maintenance (Child Support) acceptable if available for a minimum of 5 years from the time of application and must be regular and ongoing. Child support income cannot be more than 50% of the applicant's base income. Child Support payments made under private arrangement are NOT an acceptable income type.

What is the pipeline for the policy changes?

Any application which has passed pre-assessment prior to COB Wednesday 13 March 2024 may proceed based on the policy applicable at the time of submission. If there are any material changes* to the application post conditional or AIP, the new policy will be applied.

**material changes are defined as "deterioration in the risk profile of the transaction"*

Who is available for support?

If you have a question regarding the policy change or the policy intent, please contact your BDM.

Full details will be available from Friday, 8 March 2024 on the Broker Website under Useful Resources > Mortgage Lending Policy.

Regards