

Quick Reference Residential Lending Guide

Income

- Wage and salary earners – confirmation to be by either letter from employer less than 30 days old OR payslip showing gross per annum base income OR three consecutive payslips OR one payslip showing year to date income providing this covers at least three month period OR direct credits to the account OR tax assessment for last financial year.
- Boarder income at 50% with evidence provided via direct credit to the account or signed agreement between parties.
- Overtime and allowances – use 100% as long as has been received on a regular basis.
- Commission – last 12 months tax assessment.
- Self Employment – last 12 months financials or tax assessment.
- Benefits - only applicable if there is formal confirmation that it is a permanent source of income.
- ACC or sickness benefit will require formal confirmation of long term disability.
- Rental income at 75%.
- Serviced apartment income can not be included.

Note: Do not gross up income with non-cash benefits such as car, loans, travel, etc.

Expenses

Calculate expenses to be deducted. Include

- loan repayments for this request
- repayments for other loans, including hire purchase and other bank debt(s)
- overdraft repayment (@2.5% of approved limit)
- rent, board for own situation
- credit card(s) (@3% of revolving balance (the unpaid balance from the last statement))
- child support payments (as liable parent).

Once you have calculated the customer surplus, this needs to be compared to Westpac required surplus for the customer's situation using the Cash Surplus Matrix.

Using Westpac's Cash Surplus Matrix

- Assess the customer against the Cash Surplus Matrix.
- Round the proposed debt level to nearest \$5,000, including other Bank Term Loans.
- Identify on the following table the surplus requirement for Single (e.g. \$900) or Couple (e.g. \$1300).

Borrower	Rule
Single Adult	\$ 900
Couple	\$ 1300
Joint Adults	\$ 1800
Family	\$ 2200
Per child	\$ 120
Add debt margin – calculations are based on the following:	
Add	Per \$1,000 of debt
\$3	Between \$100,000 and \$499,999
\$0	Over \$500,000

An example of a couple borrowing \$600,000.

Couple		\$1300
Amount between \$100,000 and \$499,999,	$(\$400,000 * \$3 = \$1200)$	\$1200
Amount above \$500,000	$(\$100,000 * \$0 = \$ 0)$	\$ 0

Total requirement \$2500

Borrower definition's

- A 'couple' (i.e. surplus \$1,300) as different from a 'joint' application (i.e. surplus \$1,800) is defined as any two people (regardless of relationship) who live in the same property and where responsibility for the property (either owned or rented) is a joint responsibility.
- Joint applicants (i.e. surplus \$1800) who do not share the same property are to be counted as two single applicants for the purposes of debt servicing assessment.

Note: Where a group of borrowers **all live** in the same property and where responsibility for the property (either owned or rented) is a joint responsibility then a maximum of \$2,200 plus dependents can be applied.

Lending Value Ratios - security

A home loan may be secured by a registered first and exclusive mortgage over

- ◆ residential owner occupied property
- ◆ residential investment property/ies (this may include multi unit properties where each unit is on a separate title - each unit would count as a property in terms of loan amount/LVR maximums)
- ◆ vacant residential zoned land (inclusive or exclusive of services)
- ◆ lifestyle blocks (as described in the Choices Home Loan Product Profile)
- ◆ must be owned directly or indirectly by the borrower.

Note: the purchase price or value of security needs to be assessed as exclusive of GST. If the transaction is rated for GST and the borrower intends to claim the GST back then this will rank ahead of Westpac on resale hence overstating the purchase price.

With respect to security, the maximum LVR for the borrower is to be as follows.

No. of security properties	Max LVR
First two properties at	90%
Third or greater properties at	80%

i.e. if a customer had 4 properties worth \$200,000 each, they would have a combined security value of \$800,000. They could borrow \$680,000 (provided they meet all other lending criteria).

Residential property

The residential property type covers

- ◆ residential house/townhouse/unit (Freehold Title, Strata Title, Cross Lease, Leasehold (in perpetuity) or Unit Title)
- ◆ any property that is subject to a fixed term lease to a property management company or intermediary of any type falls outside of this policy and is assessed on a case-by-case basis. This includes (but is not limited to): serviced apartments, student accommodation managed by a central body and properties leased back by the developer or seller. Westpac approach to these types of property will be to reduce LVR and structure loan terms commensurate with lease term.

Lending value ratio

Type of property	Maximum LVR
Residential property	
Owner-occupied	100% (Note: • specific criteria apply)
Non owner-occupied	90%
Residential apartments: (Excluded decks and patio's)	
>50sqmtrs	95%
40-50sqmtrs	75%
30-40sqmtrs	65%
<30sqmtrs (where additional owner-occupied security is held - 0% LVR if additional property not held)	50%
Company share owned residential property/apartment - license to occupy	74.99%
Serviced Apartments (includes Student accommodation managed by a central body AND properties leased back by the developer or seller)	65% (Note: • specific criteria apply)
Vacant land:	
Residentially zoned with services, i.e. power sewerage, water reticulation and sealed footpaths (<2.2ha)	90%
Residentially zoned with services, i.e. power sewerage, water reticulation and sealed footpaths (> or = 2.2ha)	80%
Zoned other than residential and/or un-serviced	50%

Residential valuation requirements

The following tables show the acceptable forms of real estate for security and the type of valuation that may be used to determine their current market value.

Properties subject to an acceptable Sale and Purchase agreement (S&P) are valued by the sale price or Registered Valuation (RV) or Desktop Valuation (DV) or Government/Rateable Valuation (GV) in terms of the following table:

Note: the table describes the minimum requirement (RV, DV, GV). If a higher level of valuation is held than is required then that is acceptable and the lower level (if held) can be ignored. In all cases if the S&P valuation is lower then it overrides all other types. **New** = New security to Westpac. **Held** = Existing security held by Westpac

Property type	Acceptable valuation for LVR											
	90% and above		89.99% -85%		84.99% -75%		74.99% - 65%		64.99 – 51%		50% and below	
	New	Held	New	Held	New	Held	New	Held	New	Held	New	Held
Any property type sold by Private Treaty	< of RV & S&P	N/A	< of RV & S&P	N/A	< of RV & S&P	N/A	< of DV & S&P	N/A	< of GV & S&P	N/A	< of GV & S&P	N/A
Any property type where value is < \$1.0m (excluding Apartments, Company Share, Vacant Land)	< of RV & S&P	RV	< of DV & S&P	DV	S&P	DV	S&P	GV	S&P	GV	S&P	GV
Any property type where values is \$1.0 m or higher (excl Apartments, Company Share, Vacant Land)	< of RV & S&P	RV	< of RV & S&P	RV	S&P	DV	S&P	DV	S&P	GV	S&P	GV
Any apartment or unit that is part of a larger development is first time on the market, or sold off plans	< of RV & S&P	N/A	< of RV & S&P	N/A	< of RV & S&P	N/A	< of RV & S&P	N/A	S&P	N/A	S&P	N/A
Apartment >50sqmtrs	< of RV & S&P	RV	< of RV & S&P	RV	< of DV & S&P	DV	S&P	DV	S&P	GV	S&P	GV
Apartment 40-50sqmtrs	N/A	N/A	N/A	N/A	N/A	N/A	< of RV & S&P	DV	S&P	GV	S&P	GV
Apartment 30-40sqmtrs	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	S&P	GV	S&P	GV
Apartment <30sqmtrs	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	S&P	GV
Company Share or License to Occupy	N/A	N/A	N/A	N/A	N/A	N/A	< of RV & S&P	RV	S&P	RV	S&P	RV
Vacant (serviced) residential land	N/A	N/A	< of RV & S&P	RV	< of RV & S&P	DV	S&P	GV	S&P	GV	S&P	GV
Vacant (un-serviced) residential land	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	S&P	GV

100% LVR home loans

Description

There are two different approaches to writing with LVR's above 90.01% -100%

- ◆ 90/10 with a surety (usually the borrower's parents)
- ◆ 90/10 with rapid amortisation.

Target customers

The applicant(s) will demonstrate the following attributes

- ◆ able to maintain permanent full-time employment and steady income
- ◆ sufficient income must be available to comfortably demonstrate serviceability within underwriting standards
- ◆ Borrower characteristics (including credit history, employment stability, and financial position) must be exemplary.
- ◆ No other financial interest in property in NZ or overseas.

With regard to the different approaches, the following additional target market criteria will apply.

90/10 with a surety

- ◆ The surety(ies) statement of position confirms that in the event of default they are financially secure enough to either repay the 10% 'equity loan' in full, or over the documented three year loan term without causing any undue hardship to their personal circumstances.

90/10 with rapid amortisation

- ◆ Borrowers with significant servicing margin to easily fully repay the >90% portion within three years.

100% LVR home loan specific requirements

90/10 with a surety

- ◆ Available for the purchase/funding of an owner-occupied property. Borrowers to have no financial interest in any other residential property.
- ◆ The primary loan (i.e. up to 90% of lesser of purchase price or valuation) to be in the borrowers' names only. Loan term to be a maximum 30 years, but can be interest only for an initial maximum three year term or until the equity is fully repaid.
- ◆ The equity loan (i.e. the remaining 10%) to be in the name of the borrowers, joint with the surety(ies). Loan to be fully amortising over a maximum three year term.
- ◆ The borrowers must demonstrate ability to service both loans. The sureties must demonstrate ability to service the equity loan and/or have assets that could be used to repay the same without undue hardship or material negative impact on their financial position.
- ◆ Security provided by the surety(ies) to be a first and exclusive mortgage over residential property (either owner-occupied or investment) or cash security, i.e. term deposit, with Westpac, owned by the surety(ies). The surety security will not be discharged until the 'equity loan' has been repaid in full.
- ◆ Security documentation for the surety(ies) are to be prepared by a solicitor independent of the solicitor acting for the primary borrower(s)

90/10 with rapid amortisation

- ◆ Only available for the purchase/funding of an owner-occupied property.
- ◆ Allowing for repayments, borrowers must have sufficient surplus to meet the serviceability requirements with a significant margin for adversity. (usually 50% over the MMCS requirement)
- ◆ Any portion over 90% LVR must be on an amortising basis sufficient to clear the >90% within maximum three years. In need remaining loan can be on an interest only basis for maximum three years. This could be written structured either of the following ways.

Loan Options	LVR	Loan Term	Interest only Term
Option 1	90%	30 yrs	3 yrs
	10%	3 yrs	Nil
Option 2	Up to 95%	20 yrs	Nil
	Up to 100%	15 yrs	Nil

Construction policy

Where construction is by way of full turn key contract the following is required

- copy of a registered valuation addressed to Westpac from an approved valuer advising the value of the property upon completion, with property details based on the customer's plans and specifications
- copy of full turn key contract confirming that **all** work is to be completed, including landscaping, driveways, fencing etc as detailed in the schedule of work, specifications and contracted payment schedule
- under no circumstances are any amendments or variations to be made to the contract, either prior to or during the construction process without prior consultation with Westpac & subsequent approval for the changes from Westpac. This includes items within the contracted price being paid for from the clients own funds
- sale and purchase agreement for section (if applicable)
- copy of local authority consents/permits and full builders risk insurance policy/details
- the loan is assessed in the first instance, for affordability purposes only based on the total loan facilities and is not formally approved for construction until such time as the Bank's full construction policy is met.

Loan drawdown requirements where construction is by way of full turn key contract are

- customers own funds are to be utilised before any loan funds are drawn
- drawdowns will be against invoices as per scheduled payments contained in the contract for all transactions
- for all loans where final LVR exceeds 90% drawdowns will be against invoices as per scheduled payments contained in the contract and supported by receipt of registered valuers certificate confirming cost expended to date, value of work completed and cost to complete
- value of remaining un-drawn finance is not to exceed the cost to complete figures as shown in the full turn key contract.

Where construction is by way of fixed price contract the following is required

- maximum LVR is 90%
- copy of a registered valuation addressed to Westpac from an approved valuer advising the value of the property upon completion, with property details based on the customer's plans and specifications
- copy of full fixed price contract confirming that **all** work is to be completed, including landscaping, driveways, fencing etc as detailed in the schedule of work, specifications and contracted payment schedule
- under no circumstances are any amendments or variations to be made to the contract, either prior to or during the construction process without prior consultation with Westpac & subsequent approval for the changes from Westpac. This includes items within the contracted price being paid for from the clients own funds
- sale and purchase agreement for section (if applicable)
- copy of local authority consents/permits and full builders risk insurance policy/details
- the loan is assessed in the first instance, for affordability purposes only based on the total loan facilities and is not formally approved for construction until such time as the Bank's full construction policy is met.

Loan drawdown requirements where construction is by way of fixed price contract are

- customers own funds are to be utilised before any loan funds are drawn
- drawdowns will be against invoices as per scheduled payments contained in the contract for all transactions
- value of remaining un-drawn finance is not to exceed the cost to complete figures as shown in the fixed price contract.

Where construction is by way of customer managed project (i.e. labour only) the following is required

- maximum LVR is 80%
- copy of a registered valuation addressed to Westpac from an approved valuer advising the value of the property upon completion, with property details based on the customer's plans and specifications
- full budget costings, supported by quotes and/or invoices confirming **all** work to be completed, including landscaping, driveways, fencing etc as detailed in the budget costings
- schedule of projected drawdown requirements
- details of applicants experience to complete and/or manage the project
- sale and purchase agreement for section (if applicable)
- the loan is assessed in the first instance, for affordability purposes only based on the total loan facilities and is not formally approved for construction until such time as the Bank's full construction policy is met.

Loan drawdown requirements where construction is by way of client managed project (i.e. labour only) are

- customers own funds are to be utilised before any loan funds are drawn
- where LVR is between 65% - 80% drawdowns will be against interim registered valuation on value as is and assessed cost to complete
- drawdowns to be in terms of scheduled progress payments
- maximum drawdown will be no greater than 80% of interim valuation
- value of remaining un-drawn finance is not to exceed the cost to complete figures as shown in the interim valuation.
- where LVR is below 65% drawdowns will be against invoices for major construction items.

Mortgage product repayment conditions

Fixed rate repayment conditions

- Cost/benefit calculation used for early repayment and lump sum reductions. If no cost to bank, no cost to client. Benefits not payable. Minimum cost \$300.
- Can increase regular payments up to a maximum of 20% of minimum repayment and/or reduce back to minimum during fixed rate period.
- Can set initial loan payments as far above minimum as desired with no penalty.
- Repayment holidays can be taken if a buffer has been created through paying more than the minimum amount.
- Security can be changed without breaking the rate if sale and purchase of properties are concurrent.
- Client can take a Rate Lock Agreement (RLA) to hold a rate for up to 60 days at no cost, the settlement date however must be stated and a \$250 (per RLA) break fee will apply if the loan(s) are not drawn on the set settlement date.

Banking packages

Westpac has a number of special banking packages available, offering benefits to eligible customers.

- Employee Packages.
- Government Packages.

Please contact your local Broker Development Manager for further details.

Non residents

Case by case, however general guidelines maximum LVR 80% and minimum \$50,000 equity per property.

** Refer SBC for LVR up to 95% for non residents

Credit check

- To be supplied where possible - if not sufficiently current, will be also be completed by Westpac.
- If items appear must have good written explanation.
Customers to pass the credit check with
- No bankruptcies in last 5 years.
- No judgements/legal action/collections/repossession's or write offs in the last four years.

Interest only conditions

Interest-only terms are available on the following basis:

Overall Lending Value Ratio (LVR)	Interest-only terms
Less than or equal to 85%	Up to the full term of the loan
85 to 90%	Five years interest only
Over 90%	three years **conditions apply

Equity contribution

- Borrowers must contribute at least 5% of the purchase price (minimum \$5,000) from their own resource or unencumbered gift (e.g. cash savings, sale of assets, etc.) with acceptable evidence held on file (e.g. bank statement, settlement statement, etc) – unless covered in Westpac “100% LVR policy”.
- Any balance of equity that is not from the borrowers own sources (e.g. gifted) needs to be unencumbered and not requiring any repayment or interest.

Lifestyle blocks

- Must be serviced from own income and not income from the land.
- Land under 20ha and zoned residential or residential/rural.
- Residential amenities on hand (power, phone, access by sealed road).
- LVR up to 90% of the price excluding GST.
- Residential rates apply.
- Location restrictions may apply (e.g. within proximity to a major town or city, access by a sealed road).

Specialist Banking Centre

Open Ended Bridging

- Loans for up to 6 months to allow clients to purchase a new owner occupied property when they have not yet sold existing owner occupied property (excludes investment property sale and purchases)
- 6 months worth of interest capitalisation separate loan will be provided
- Max overall LVR during the bridging period over the two properties to be 80%.
- Existing Westpac customers only
- **Non residents policy up to 95% LVR**
- Where customers hold a NZ work permit and have already applied to NZ immigration for permanent residency (evidence to be provided)
- Min equity from own funds \$25,000

Contact us

For more information please call your local Westpac Broker Development Manager on free phone 0800 400 655 choosing option 1.

