

## **Broker Supplementary Commentary: Financial position**

### **FAQ'S**

#### **What is the 'Broker Supplementary Commentary: Financial position' form?**

The 'Broker Supplementary Commentary: Financial Position' form is a tool, created by the Bank. It provides guidance on how to document the *reasonable enquiries* you make about the applicant/s financial position.

#### **Why did the Bank create the 'Broker Supplementary Commentary: Financial position' form?**

The Bank created this form in response to feedback received from Brokers.

Brokers advised us they were unsure how to explain the applicant/s financial position to meet the Bank's requirements. Completing and submitting this form with an application should result in faster decision times and a reduction in 'Missing Information Requests' (MIRs).

#### **Is the 'Broker Supplementary Commentary: Financial Position' form a mandatory document?**

Yes and is to be provided in conjunction with your detailed background / loan submission notes. By doing this you should experience faster decision times.

#### **How do I submit the 'Broker Supplementary Commentary: Financial Position' form?**

A PDF version of 'Broker Supplementary Commentary: Financial Position' is available in the [Broker portal forms](#) section and your Aggregator's CRM.

Please upload it to Applyonline 'Supporting documents' section when you initially submit the application to the Bank.

#### **How do I complete the 'Broker Supplementary Commentary: Financial Position' form?**

The 'Broker Supplementary Commentary: Financial Position' form is completed based on your review of the supporting financial documents of the applicant/s and the interview conducted with the applicant/s.

The form provides guidance in how to document your understanding of the applicant/s financial position when determining the product and credit is not unsuitable to the applicants.

*Hint: The detail required depends on each applicant/s personal financial situation.*

The sections are explained:

#### ***Financial position:***

Comment on the assets and liabilities held by the applicant/s given their circumstances. Provide the applicant/s explanation about their position (this includes why applicant/s carry significant personal debt and do not have many assets).

Examples:

- (a) The applicant does not have many assets and this is due to a recent separation. They advised when they separated they were required to sell their home and share the proceeds and other assets with their previous partner, and they now have a small deposit for a new home.
- (b) The applicant shows a strong accumulation of assets. Their home is estimated to be valued at \$800,000 and their only debt is their home loan of \$200,000 and their credit card with a \$10,000 limit. They advised their superannuation balance is \$300,000. The applicant is 42 years old.

*For a property purchase explain how the applicant/s obtained their contribution.*

Example:

The applicants started saving their deposit more than three years ago. They have saved over \$80,000. In the last three months they saved about \$3,000 a month- this can be seen in the statements provided. They are contributing a deposit of 20% and will also receive the First Home Owners Grant.

***Income and employment***

Document your understanding of the applicant/s income and employment. This includes stability of employment and how their income has been calculated and how the loan will be paid post retirement (if applicable).

Examples:

- (a) The applicant is very stable, they are a teacher with a private school. They have been at this school for two years, and a teacher for 15 years. Currently they are filling in as the Deputy Principal and are receiving higher duties. The higher duties is not used in the income calculation as it is not permanent. The income of \$80,000 is used.
- (b) The applicant is a Manager. They were promoted to this role three months ago. They now earn \$110,000 p.a. They have a HELP debt, this is included in the tax deducted each fortnight from their pay. The year to date income on their payslip does not reflect this higher income level, as prior to the promotion their income was \$90,000 p.a. Their employment is stable as they have been with this employer for two years. The applicant advised they do not expect to change their employment in the foreseeable future.
- (c) The applicant is 55 and has requested a loan term of 25 years. They advised they plan to continue working full-time for another 15 years. At that time they advised they are likely to continue working in a part-time position of 2-3 days per week. We have used a loan calculator and their loan balance has been forecast at \$200,000 at that time. They are comfortable their income will be sufficient to continue to make repayments and cover their living costs at that time; OR

They currently have a super balance of \$500,000. Their super will continue growing from the compulsory contributions made by their employer. They plan to payout the mortgage of @\$200,000 and still have a strong super balance to support themselves.

### ***Expenditure***

Document your understanding of the applicant/s expenditure. Include any explanations the applicant/s provide to you. Provide further comment if expenses are below the Bank's benchmark. Finally comment on the net monthly surplus (NMS).

Remember to explain if their recent spending is not a true indication of their regular pattern (for example they paid for their annual holiday) did you ask them about some particular transactions on their statements?

#### Example:

The applicants have reviewed their spending and advised their expenses. These are included in Applyonline. They are below the Bank's Minimum Benchmark.

- 1) Their transport costs are low at \$80 pm. This is because the applicant works from home most of the time and does not need to use transport very often. They do not have a vehicle, so have no running costs.
- 2) The applicants have two children, twins and they are two years old. They do not incur any child care costs. The parents both work in emergency services and are shift workers. They manage their shifts so a parent is always at home.
- 3) The applicant/s insurance expense is \$120pm. This is for the family motor vehicle and home and contents insurance. An employer benefit includes free health insurance for their family, therefore no expense and they are also comfortable with the insurances provided in their superannuation fund.

#### *Then comment:*

I have reviewed the total monthly net surplus figure for the applicants. The surplus allows the applicant/s to meet their financial commitments without experiencing financial hardship.

### ***Credit experience***

Document the applicant/s experience and management of their financial commitments, including your understanding of their account conduct.

#### Examples:

- (a) The applicants are refinancing their home loan of \$400,000. I have reviewed the loan statements and confirm they have made their repayments without difficulty. They have been meeting the required repayment of \$975 per fortnight. They have also managed to accumulate redraw of \$15,000- this is their safety net and they will retain this buffer.
- (b) The applicants have a personal loan and a credit card. Statements have been reviewed. The applicants missed making the repayment on their credit card in January. They advised me they normally pay their credit card balance in full each month, however were on holidays at this time. The payment was made five days later, and this can be seen on the following statement. They do not use the full limit on the account. I considered this a reasonable explanation and do not consider they experience any financial difficulties. The personal loan was used for their honeymoon twelve months ago and the statements show repayments are made on time.

- (c) The applicant/s are purchasing their first home. The loan applied for is their first loan. They have a credit card each and the statements show they manage these well- both cards are below their limits and they make more than the minimum repayment each month. We have discussed the home loan repayments and looked at how repayments can change over time. They understand this.

**Hint: Credit experience can also include a review of an applicant/s credit report.**

We recommend you review the applicant/s credit report with them as part of your interview process. By doing this you can explain their report at the time you submit the application. This can assist in faster decision times and a reduction in Missing information Requests 'MIRs'.

Your processes may include obtaining authorisation from the applicant and accessing their report. Alternatively, you can direct the applicant/s to ASIC's Moneysmart factsheet. The factsheet provides contact details of the Credit Reporting Agencies and explains how to obtain a free copy of their credit report once a year:

<https://moneysmart.gov.au/managing-debt/credit-scores-and-credit-reports>

***Verification of financial situation***

This checklist prompts you to consider the information obtained.

- Do you think any information is inconsistent? If so please consider investigating this further before you submit the application to the Bank.
- Have you checked the documents meet the Bank's policy re date of issue and period covered?

***Any additional comments?***

Is there any further information obtained from your inquiries that will assist with this application? This includes:

- Anything that supports how you determined the product and credit was not unsuitable for the applicants
- Urgency with processing times: is there a short settlement time frame or a finance clause applicable?

**Where can I get more information?**

If you require further assistance please contact 1300 TMBank (1300 862 265), your [Broker Development Manager](#), or email [broker@tmb.com.au](mailto:broker@tmb.com.au)