



ASB Home Lending Policy Guide for Advisers

Commercial in confidence | March 2024

› [asb.co.nz](https://www.asb.co.nz)



Contents

Version updates	3
Section 1 Welcome to ASB's home lending policy guide	4
1.1 How to get in touch	5
Section 2: Complying with CCCFA	8
2.1 Complying with CCCFA: Information we need from you	9
2.1.1 Suitability	9
2.1.2 Affordability	10
2.1.3 Informed decisions	11
2.1.4 Clear and concise records	12
2.1.5 Adviser declaration form	12
Section 3: ASB home lending policies for Advisers	13
3.1 Introduction to ASB's Home Lending Policies	14
3.1.1 Loan servicing requirements overview	14
3.1.2 Maximum loan terms based on intended property use	15
3.1.3 Servicing test rate	15
3.1.4 UMI calculation and examples	16
3.1.5 Debt to Income (DTI)	16
3.1.6 Number of households	17
3.2 Servicing a loan	18
3.2.1 How we assess different types of income	18
3.2.2 Evidence of income	23
3.3 How we assess expenses	26
3.3.1 Expense categories	26
3.3.2 Fixed financial commitments	27
3.3.3 CCCFA Obvious Affordability Exemption	32
3.3.4 Dependents	32
3.4 Securing residential lending	33
3.4.1 Overview of securities	33
3.4.2 General security requirements	33
3.4.3 Loan to value ratio (LVR)	35



3.5	Security types and conditions of lending	36
3.5.1	Investment properties	36
3.5.2	Apartments	36
3.5.3	Terraced houses	37
<hr/>		
3.6	Construction lending	38
3.6.1	Loan criteria for different types of projects and building contracts	39
<hr/>		
3.7	Deposits and equity	42
3.7.1	What can be used as a deposit	42
3.7.2	Low equity margin	42
<hr/>		
3.8	Customer situations	44
3.8.1	Approval Expiry Policy	44
3.8.2	Refinancing	44
3.8.3	Credit check	44
3.8.4	Interest only	44
3.8.5	Home loan top ups	45
3.8.6	Natural disaster	47
3.8.7	Restructures no new money	47
3.8.8	Bridging lending - Open and Closed	50
3.8.9	Requirements for trusts	50
3.8.10	Requirements for companies	51
3.8.11	Non residents of NZ	51
3.8.12	Out of area lending	51
3.8.13	Financial assistance	52
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Thank you.		53

ASB's lending criteria applies. These are subject to change and in the event of any inconsistency between this guide and our lending criteria; ASB's lending criteria will prevail.





Version updates

Date of change 12 March 2024. Version 13

What has changed	Action needed	Link
Updates to how we assess bonus and overseas income.	Please read through our updated guidance on how we assess different types of income.	See 3.2.1 How we assess different types of income
Updates to Debt to Income.	Please read through our updated guidance on debt to income.	See 3.1.5 Debt to Income
Updates to how we assess KiwiSaver, loans at other insitutions, student loans and business debt.	Please read through our updated guidance on fixed Financial commitments.	See 3.3.2 Fixed financial commitments
Changes to early exit progress payments.	Please read through our updated guidance on progress payments.	See 3.6 Construction Lending
Updates to maximum LVR and minimum contingency for construction loans.	Please read through our updated guidance on construction loans.	See 3.6 Construction Lending
Updates to maximum number of boarders for all home loans.	Please read through our updated guidance on boarder income.	See 3.2.1 How we assess different types of income.





Section 1

Welcome to ASB's home lending policy guide



Let's work together to help your clients get one step ahead.

We understand that when it comes to home loans, there's no one-size-fits-all solution. We're known for our flexibility and our willingness to look at a customer's individual situation when assessing an application. Whether you are an ASB accredited adviser, an AIA accredited adviser or an NZHL accredited adviser, this guide will be an important reference point for you.

Our products are tailored to cover the broad range of scenarios you're presented with in your role as an adviser. We'll work with you to understand your client's particular needs and the best product and structure to suit their life and their property.

So, if you have a client who wants to build a Grand Designs-inspired homage to the Sydney Opera House with views of Mount Taranaki, or a first home buyer with their heart set on a 1950s bungalow in need of some love, get in touch and we'll see what we can do.

How to use this guide

This guide is designed to help you to understand our products and how they might work for your clients. You'll find details on:

- Complying with CCCFA.
- What we look at when assessing a loan.
- What information we'll need and why we need it.

If you're not able to find the information you're after, or you have a question specific to a client's individual circumstances, [get in touch](#) to find out what's possible.

The work you're doing will help more Kiwis to get into their first home, their next home, to diversify their property portfolios or to take that next step. We're keen to work with you to make that happen.





ASB Broker Hubs
(Residential).



ASB Business
Banking Broker Team.



Contact information
for AIA and NZHL
accredited advisers.

i) ASB Broker Hubs (Residential)

For administrative requests such as LEM reviews, refix requests or loan security alterations, email ASBBrokerSupportHub@asb.co.nz

Broker Hubs (Residential)	Application submission	Broker Hub Manager	Business Development Manager
Upper North Island Broker Hub Includes Waikato, Bay of Plenty, Northland and Nelson (excludes Auckland)	North of Auckland, Waikato, Bay of Plenty & Nelson UpperNorthIslandAdviserLending@asb.co.nz	Paul Francis Paul.Francis@asb.co.nz 027 634 4054	Rhys Evans Rhys.Evans@asb.co.nz 027 232 3922
Auckland Broker Hub Includes all of Auckland and International	Auckland region AucklandAdviserLending@asb.co.nz	Nick Waru Nick.Waru@asb.co.nz 021 982 356	Chenee Cotton North Auckland Chenee.Cotton@asb.co.nz 027 269 5729 Jarad Warren Central and West Auckland Jarad.Warren@asb.co.nz 027 259 1163 Tracey Topp South and East Auckland Tracey.Topp@asb.co.nz 027 210 3512
Lower North Island Broker Hub Includes Taranaki across to the Hawkes Bay and down to Wellington	Taranaki, Hawkes Bay, Manawatu, Palmerston North, down to Wellington LowerNorthIslandAdviserLending@asb.co.nz	Louise Styles Louise.Styles@asb.co.nz 027 445 0672	Jared McMaster-Pye Jared.McMaster-Pye@asb.co.nz 027 206 5473
South Island Broker Hub Includes all of the South Island (excludes Nelson)	South Island (excludes Nelson) SouthIslandAdviserLending@asb.co.nz	Mel Rae Melissa.rae@asb.co.nz 027 281 0639	Nardene Shatford Nardene.Shatford@asb.co.nz 027 207 3804



ii) ASB Small Business Hub

Criteria for referring to ASB Small Business Hub	Application submission and admin requests	Business Banking Broker Hub Manager
<ul style="list-style-type: none"> Your client is self-employed with a turnover of \$250k or greater. The application is reliant on forecasts or projected income. Business lending requests over \$50,000. Commercial property applications, including reliance on income. Where the dominant income source is rental income, e.g. \$100,000 PAYE, \$150,000 rental income. For help on how to present a business application please refer to the ASB adviser business loan application guide or reach out to your local BDM. 	<p>New applications and top ups:</p> <ul style="list-style-type: none"> Email: smallbusinesshub@asb.co.nz <p>Administrative requests:</p> <ul style="list-style-type: none"> For all other requests, email: smallbusinesssupport@asb.co.nz 	<p>Sheryl Fonoti sheryl.fonoti@asb.co.nz DDI: 09 337 2575 Mobile: 021 241 7386</p>

iii) Important information on emailing ASB Broker Hubs

If you're emailing your application or request from your CRM:

- Enter your email address into the "To" field. This ensures the auto-reply email goes to you (rather than only replying to your CRM).
- You'll receive the unique identifier to track your application or request.

When sending us further information about an existing application or request:

- Reply to the auto-reply email you received for this request and continue to reply to this same thread.
- The auto-reply email contains a unique identifier that enables our platform to attach your subsequent emails and attachments to the original request.

For existing and recently submitted applications and requests:

- The auto-reply email will be triggered as each application and request is automatically moved into our new platform.
- Please only contact us about these applications or requests by replying to the auto-reply email so the unique identifier can tie them to the relevant application or request.



iv) Contact information for AIA and NZHL accredited advisers

For general assistance:

- For inquiries relating to lending policies and ongoing customer inquiries, call the lending helpline on 0800 920 920.

Submitting loan applications and new loan inquiries:

- Applications and general new loan inquiries should be emailed to:
 - For AIA accredited Advisers: goapplications@asb.co.nz
 - For NZHL accredited Advisers: nzhlapplications@asb.co.nz

If you're emailing your application or request from your CRM:

- Enter your email address into the "To" field. This ensures the auto-reply email goes to you (rather than only replying to your CRM).
- You'll receive the unique identifier to track your application or request. This is the unique identifier to track your application.
- You will receive a further Email with the MAPs number as the application progresses. This number will enable you to check the status of the application from Sovlink.

When sending us further information about an existing application or request:

- Reply to the auto-reply email you received for this request and continue to reply to this same thread.
- The auto-reply email contains a unique identifier that enables our platform to attach your subsequent emails and attachments to the original request.

Further information could include:

- Additional information to support an in-progress application.
- Loan acceptance and information to enable the loan to be documented, including customer Identification and requirements for AML.
- Progress payment requests.

When sending us requests for information or to make a change to existing home loans send it to

- For AIA accredited Advisers: gohomeloans@asb.co.nz
- For NZHL accredited Advisers: nzhlhomeloans@asb.co.nz

If you're emailing your application or request from your CRM:

- Enter your email address into the "To" field. This ensures the auto-reply email goes to you (rather than only replying to your CRM).
- You'll receive the unique identifier to track your request.

When sending us further information about an existing request:

- Reply to the auto-reply email you received for this request and continue to reply to this same thread.
- The auto-reply email contains a unique identifier that enables our platform to attach your subsequent emails and attachments to the original request.



Section 2

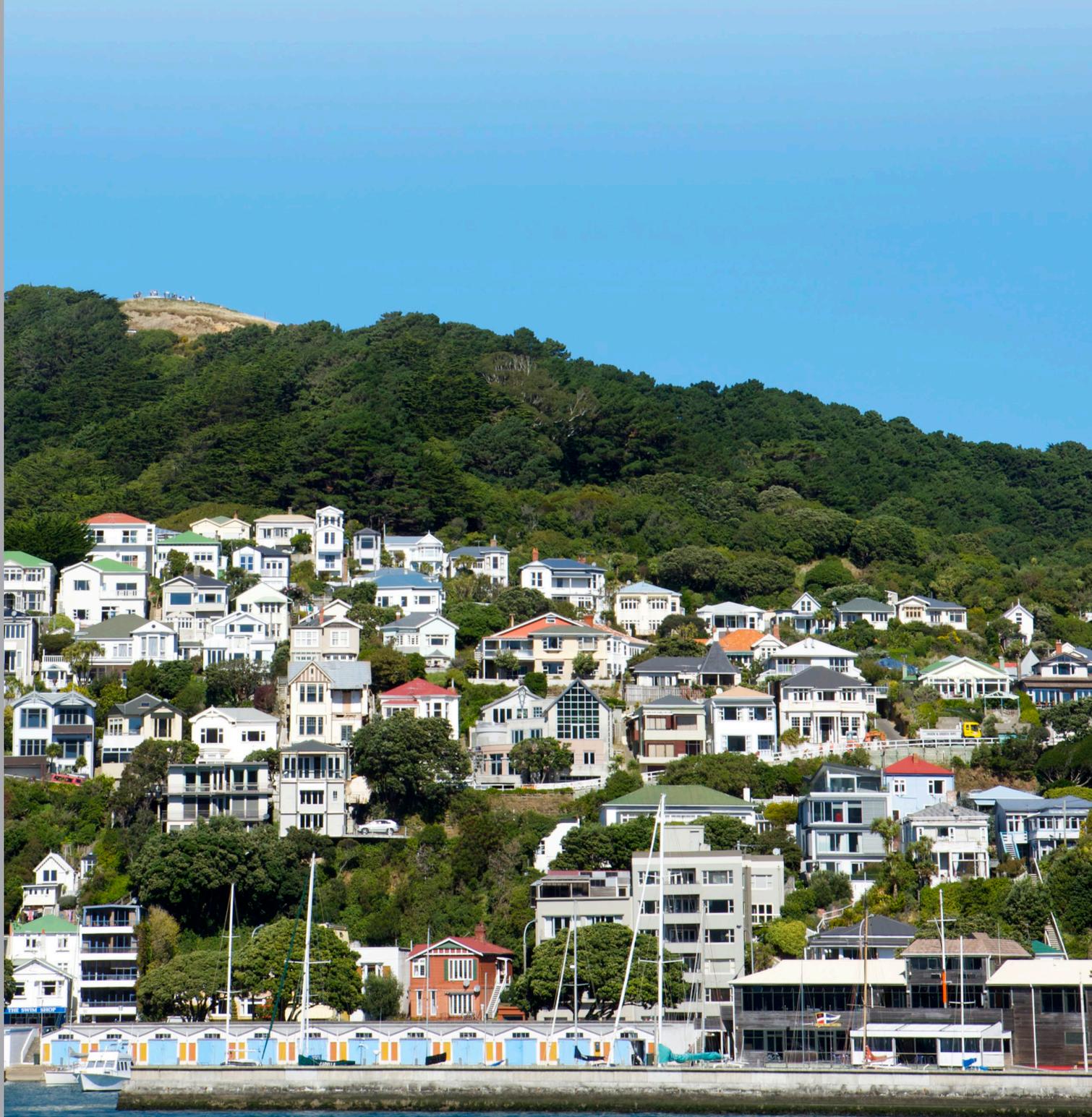
Complying with CCCFA



The Credit Contracts and Consumer Finance Act (CCCFA) requires lenders like ASB to act responsibly. It provides protection when customers borrow for personal use (including home loans).

New CCCFA requirements came into effect from 1 December 2021 and requires us to ask for specific information from our customers.

As you're introducing your client to ASB for the purposes of taking out a home loan, we need your help to meet our CCCFA obligations before we can provide lending.





Quick links to the topics included in this section:

2.1.1 [Suitability](#).

2.1.2 [Affordability](#).

2.1.3. [Informed decisions](#).

2.1.4 [Clear and concise records](#).

2.1.5 [Adviser declaration form](#).

2.1.1 Suitability

We need to make sure the products (and amount) your client is applying for is likely to meet their needs. You will need to ask questions of your client(s) to ascertain the below information. You must record the results of these questions and provide this complete record to us. If there are multiple borrowers you must do this for all borrowers.

- The amount your client has requested to borrow (i.e. you should ask the client “how much do you need to borrow?”).
- The length of time (term) your client would like to borrow this amount for (i.e. you should ask the client “how long do you need to borrow this money for?”).
- All the reasons your client needs to borrow this money for, e.g. Purchasing their first home and consolidating personal debts, or purchasing their next home and upgrading their car as well. This includes [top-ups](#), e.g. topping up loan to renovate the kitchen or bathroom.
- For clients who are capitalising their home loan fees: We need confirmation your client is aware of, understand and accepts that this will increase the amount of interest charged over the life of the loan.
[See further detail below](#).
- Whether your client needs access to revolving credit facilities (the ability to repay and redraw funds from their loan).
- If they're [refinancing](#) internal or external debt (includes [restructures](#) and loan [top-ups](#) where the existing facility is paid back and we draw down a new loan):
- Why they're refinancing - what their objective is.
- Confirmation that they are aware of and accept any additional costs of refinancing - [see further detail below](#).
- If the borrower is going to turn 70 before the end of their loan term, we need to understand and accept their exit strategy for the loan (how they are they going to pay it off). See [loan servicing requirements](#) for more information.

If your client appears to have conflicting requirements or objectives for their lending, you should ascertain what their highest priority is and take this as their requirement or objective. You must record the details of these inquiries with the customer as well as the outcome and send these records through to us.



2.1.1 Suitability (continued)

Costs of refinancing

If your client is refinancing existing debt, we'll need you to talk to them about any potential costs of refinancing that debt, for example Early Repayment Adjustments (ERA), exit fees and solicitors' costs. You can find more information on our obligations within [Informed Decisions](#).

When sending in your lending summary, let us know you've had this conversation and your client accepts there may be additional costs to refinancing. If there are additional costs, they'll need to confirm they're accepting these costs to meet their objectives.

Under CCCFA, 'Refinancing' refers to any new borrowing that will be used to repay either some or all of any existing debt. This includes all situations where we would repay and redocument the loan such as restructures with no additional lending and top-ups. This does not affect the process in which you would complete these on behalf of your clients.

Capitalisation of fees

When fees are capitalised, the fee is added to the total amount borrowed. The capitalised fees accrue interest, increasing the outstanding loan balance. If a borrower elects to capitalise any fees associated with applying for and receiving lending you should explain to them that they will pay interest on those fees over the life of the loan, along with the original amount they borrowed.

2.1.2 Affordability

We need to make sure borrowers/guarantors will be able to repay the debt they're applying for without going into financial hardship. To do this, we will review all income and expenses anticipated for the 12 months post receiving the loan.

You will need to ask questions of your client to ascertain the below information. You must record the results of these questions and provide this complete record to us (further detail is provided in subsequent sections of this document). If there are multiple borrowers/guarantors you must do this for all borrowers/guarantors.

- Anticipated [income](#) for 12 months post receiving the loan.
- Anticipated expenses for 12 months post receiving the loan.
- Verification evidence for specific expenses. See '[expense categories](#)' for more information.
- Verification [evidence for income](#).
- If your borrowers/guarantors are expecting any decreases to their income within the next 12 months. It is important that you make this inquiry of your borrowers/guarantors and capture their response for [record-keeping](#) purposes.
- If your borrowers/guarantors are borrowing jointly or live across [multiple households](#), we require separate [expenses](#) (living and [fixed financial commitments](#)) to be captured for each borrower/guarantor and for each household.

Guarantors

If your client has someone who can guarantee their loan, here's what the guarantor needs to know:

- We will be capturing separate [income](#) and [expense](#) information from them as guarantors.
- The guarantor needs to provide the supporting collateral of first mortgage security. We can't accept a guarantee that does not have supporting collateral.
- How a guarantee works and what their obligations are - see the [Informed Decisions](#) section below.



2.1.2 Affordability (continued)

As an adviser, you must:

- If guarantors are not benefiting from the loan proceeds:
 - Personally interview guarantor(s) face to face prior to submitting any application.
 - Ensure the borrower(s) are not present in this guarantor interview.
 - Raise any concern to ASB of pressure or coercion of a guarantor during the face to face guarantor interview.
 - Advise guarantor(s) that they should seek independent legal advice to ensure they are fully aware of their contractual obligations prior to signing the guarantee - refer to the Informed decisions section below for further information.
- Provide a fully completed and signed application form from the guarantor(s).
- Provide evidence of the guarantor(s) income and expenses to ascertain if they can meet any proposed and future loan obligations under the guarantee - see the Affordability section above and further detail below.
- Provide a completed copy of the UMI calculator based on the guarantor's income, expense, and guarantor obligations.

The guarantor needs to be able to independently meet UMI requirements. If a guarantor has other property assets they are willing to sell without facing hardship; we may be able to make an exception on a case-by-case basis - contact us to find out what's possible.

2.1.3 Informed decisions

We need to make sure borrowers/guarantors know they are entering into a lending contract/guarantee and understand the key features and risks of doing so. If this is new lending and the borrowers/guarantors will be obtaining legal advice then we will be relying on the solicitor to do this. If this is a top-up and/or the borrowers/guarantors will not be obtaining legal advice then you must assist borrowers/guarantors to make an informed decision, as further detailed below. If there are multiple borrowers/guarantors, you must do this for all borrowers/guarantors.

You will need to draw the borrowers attention to the below loan details and ensure that they understand these before they enter into the agreement (some of this information you will not have until you receive the final loan agreement). For a top up you will only need to focus on the features/risks to the extent there are any changes:

Features and risks that must always be covered:

- Amount of credit/finance.
- The term.
- The repayments.
- Amount of any establishment fee.
- Capitalisation of fees.
- Annual interest rate.
- Repayment frequency.
- The cancellation period.
- The default interest rate.
- Secured property is at risk.
- Variable interest rates are subject to change without consultation.
- Early repayment adjustments may apply if breaking a fixed-rate period.
- The regular repayment amount and the total amount of repayments to be paid over the term of the borrowing (applicable to lending products where the term is less than 7 years).



2.1.3 Informed decisions (continued)

For Guarantors cover the above and the below (to the extent anything has changed relevant to the guarantee):

- By giving a guarantee they become liable as well as or instead of the borrower.
- Guarantor is fully liable unless liability is limited in agreement with lender.
- Throughout the life of the loan there could be changes to the contract that increase the borrower's obligations and guarantors will be notified of these changes.
- That we may inform them of any repayment difficulties regarding the loan if appropriate to do so.

Independent Legal Advice

To assist borrowers to make an informed decision about their lending it is also important they receive appropriate legal advice before taking out lending. If there will be multiple borrowers you should recommend each borrower receives independent legal advice in the following situations:

1. Only one borrower appears to be receiving the direct benefit of the lending or;
2. Any borrower appears to be under undue influence from any other borrower or other person who will receive the direct benefit of the lending.

You should always ensure guarantors have sought independent legal advice before providing a guarantee, and where there appears to be any undue influence on the guarantor you should ensure this is from a lawyer independent to the borrower's lawyer.

Whenever you are recommending independent legal advice to a borrower or guarantor this should be done without the other borrowers or guarantors (or other interested parties) present.

In-life loan changes

If you are assisting your customer with interest rate refixes, restructures or other in-life loan changes you also need to ensure they are making an informed decision before making this change. You should explain the implications and any risks associated with the change they are seeking.

If the borrower/guarantor has a limited understanding of English

You must be satisfied that the customer understands the key features and risks of the agreement and offer additional support if customer has a limited understanding of English. Please bring this to our attention if this is the case.

2.1.4 Clear and concise records

You must keep clear and concise records of all inquiries made of your clients to obtain the information we require for their application as set out in this guide. If we need any further information from you we'll reach out to request this.

2.1.5 Adviser declaration form

At the point of loan acceptances for new applications, top ups and restructures, we require a declaration form to be completed by you as the adviser. In this form you'll confirm you've had the relevant conversations with your client about the above CCCFA obligations and how these relate to their application.

Note, for Restructures No New Money Type 1 applications, Question 2 - Affordability, in the adviser declaration form does not apply.



The declaration form (along with the information required to meet our CCCFA obligations) is a mandatory requirement for home-lending applications.



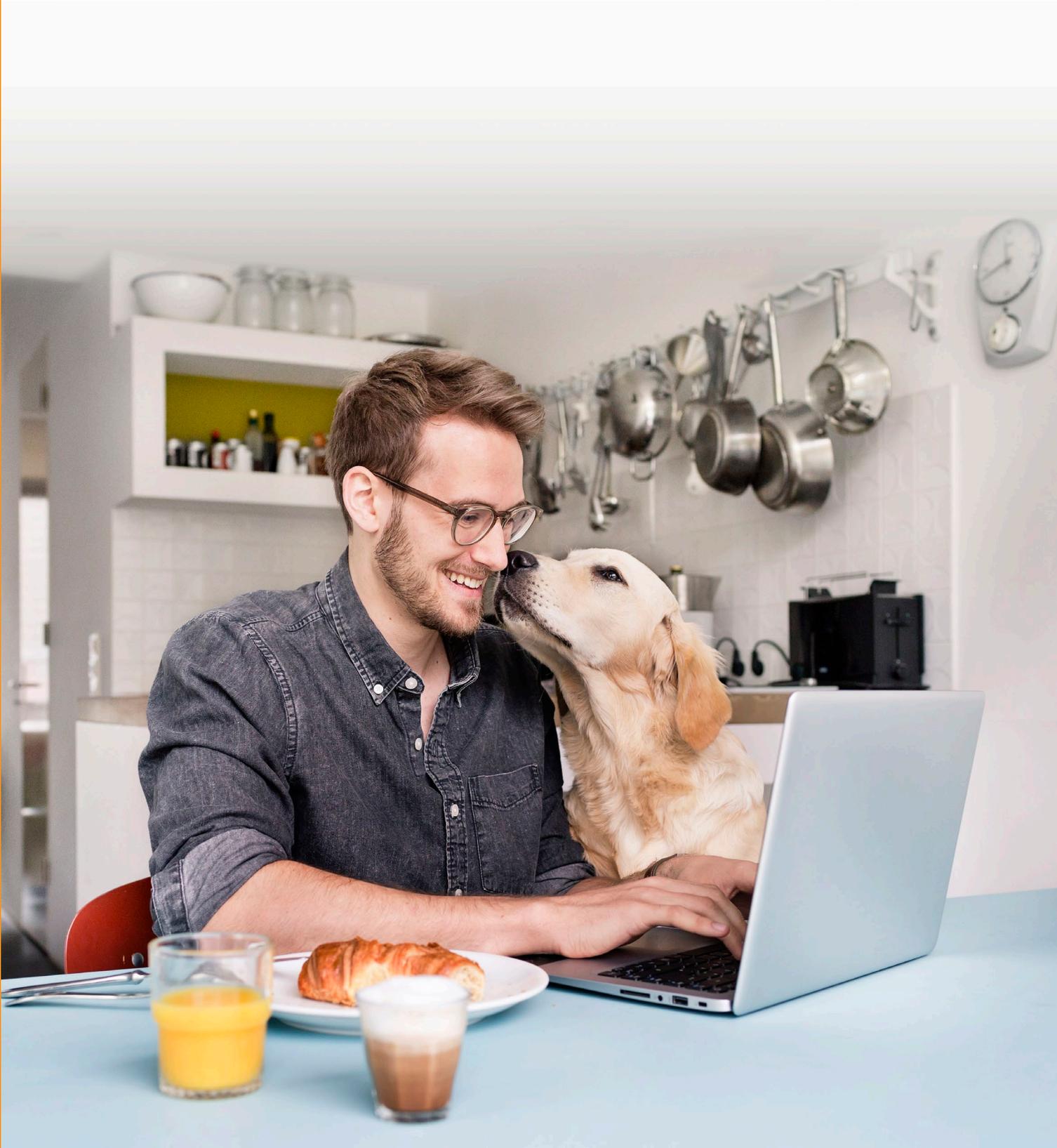
Section 3

ASB home lending policies for Advisers



In this section, you'll find information on ASB lending policies and how we assess applications.

- [Servicing a loan.](#)
- [Securing a loan.](#)
- [Customer situations.](#)





3.1.1 Loan servicing requirements overview

As an adviser, we need you to consider the maximum loan term that is right for your client's situation and their ability to service their home lending. This is known as the 'Agreed Servicing Period' (ASP).

Your client's ability to pay down their home loan will depend on their expected retirement age and if they have an alternative way to make their repayments other than their salary or income - such as the sale of an asset.

If your client uses their income to service their loan and will turn 70 during their loan term, we need to understand and be comfortable with their plans to continue to make repayments after they reach this age.

We'll need you to detail any discussions you've had with your client/s in the loan application, with specific reference to:

- Your client's intentions and their exit strategy.
- Your rationale for why the ASP is considered acceptable.

It's important to note the following:

- We can lend to customers who want their loan term to extend past their seventieth birthday, provided our repayment capacity (exit strategy) requirements are met.
- If your client's objectives are to repay the debt before they turn 70; and, they can afford the repayments based on a shorter ASP; they should consider a shorter ASP. e.g. oldest borrower is 50 and can service the debt over 15 years. A 15 year ASP is appropriate.
- If your client has an acceptable repayment strategy, we may; on a case-by-case basis consider a longer ASP.
- The exit strategy must be reasonable and appropriate. e.g. under normal circumstances, it would be unusual for a borrower's exit strategy to be downsize and move to a smaller home if they are already living in a one bedroom home.

Possible exit strategies

Some examples of possible exit strategies and further guidance can be seen in the below table.

Main Exit Strategy	Supporting Information
Selling an asset	Investment properties
	Holiday Home
	Other asset
	You must specify the asset involved. For example, boat, car, artwork.
Savings	Owner-occupied home
	If your client intends to sell their only owner-occupied home, you should make inquiries and understand their strategy. For example, they may want to move overseas.
Savings	Cash savings
	Your client should have enough savings to repay their remaining debt. For example, you may note that your client has a history of regular savings.
Savings	Superannuation lump sum following retirement
	Your client should have enough in their superannuation to repay their debt. For example, you may note that they have a history of regular KiwiSaver contributions for example.

Table continued on next page

3.1

Introduction to ASB's Home Lending Policies



3.1.1 Loan servicing requirements overview (continued)

Main Exit Strategy	Supporting Information
Downsize	Move to a smaller home - you should make inquiries and determine whether it is reasonable and feasible. Note: It is not reasonable to select this option if you know the customer is living in a 1-bedroom home (as an example) and cannot downsize.
	Move to a different city with a cheaper home
Passive Income	A business owner who does not take part in management but will continue to receive business income after retirement. The business income should help the customer in making the regular loan repayments.
	Income from investment properties The rental income should help the customer in making the regular loan repayments.
	Income from shares and managed funds You must specify the details of your client's shareholdings and managed funds.
	Income from superannuation You must specify the details of the superannuation scheme.
Continue working in current occupation	You must consider the feasibility of your client working past retirement age. For example, customers in office jobs might be able to continue working past retirement, however customers in more physically demanding occupations may not be able to do so.

3.1.2 Maximum Loan terms based on intended property use

	Owner occupied homes	Residential investment loans
Table & Reducing Loan	30 years	30 years

Note: Terms include any interest-only period.

3.1.3 Servicing test rate

As a responsible lender, we use a 'servicing test rate' which is applied to new and existing and external liabilities.



3.1

Introduction to ASB's Home Lending Policies (continued)



3.1.4 UMI calculation and examples

When calculating the UMI, we use the higher of:

- The calculated servicing test rate repayments or;
- Contractual repayments.

i) Minimum UMI requirements for different scenarios

Scenario	Required UMI
LVR of 60% or less	\$120/month
LVR over 60% and less than or equal to 80%	\$200/month
Owner-occupied lending with an LVR greater than 80% not meeting RBNZ LVR exemption criteria	\$750 per month
Owner-occupied lending with an LVR greater than 80% meeting RBNZ LVR exemption criteria*	\$200/month
*subject to DTI - see 3.1.5	
Bridging loan	\$420/month
Sole or mixed investor lending with an LVR greater than 80%	\$200/month
ASB's UMI thresholds are subject to change.	

3.1.5 Debt to Income (DTI)

RBNZ Debt to Income restrictions framework (BS20) applies to all Residential Mortgage Lending. To meet the DTI requirements, all applications requires the inclusion of the higher of the balance or limit (and evidence) of all non-ASB debt held by the applicant (refer [Section 3.3.2](#)). ASB also uses Debt to Income (DTI) to measure the serviceability of a loan that borrowers can afford based on their income. As a Bank we care that our home owners are not vulnerable to a rise in interest rates or fall in income. i.e. Households that have lower DTI ratios are less likely to miss mortgage payments in the face of unemployment, reduced income or interest rate increases.

This is a not a replacement for a UMI assessment - DTI is used in conjunction with UMI for a home loan assessment.



If your client has a DTI ratio of more than 7 times, a higher UMI is required in certain situations:

Ownership	DTI	When LVR is	Property Exemption	UMI
Owner Occupied	Any	<=60%	Either	\$120
	Any	<=80%	Either	\$200
	<=7	> 80%	Exempt	\$200
	> 7	> 80%	Exempt	\$750
	Any	> 80%	Not Exempt	\$750
Mixed Investor* *ASB holds investment property and owner-occupied security	Any	<=80%	Either	\$200
	<=7	> 80%	Exempt	\$200
	> 7	> 80%	Exempt	\$750
Sole Investor* *ASB holds investment property security and no owner-occupied security	Any	<=65%	Either	\$200
	<=7	> 65%	Exempt	\$200
	> 7	65% < LVR <=80%	Exempt	\$300
	> 7	> 80%	Exempt	\$750

In addition the following DTI rules apply:

- UMI \$300 for home loans to First Home Buyers or Owner-Occupiers AND where the Borrower Age + Loan Term is greater than 70 years.
- UMI \$750 for home lending securing by investment property in certain geographic locations.



3.1

Introduction to ASBs Home Lending Policies (continued)



3.1.5 Debt to income (DTI) (continued)

i) How we calculate the debt to income ratio

Total borrower debts (based on the higher of the loan balance or credit limit*) divided by the total annual gross income before scaling**.

* Includes credit cards and store cards.

**Total annual gross income before scaling excludes projected business income.

Example scenario for how we calculate DTI:

Debt	Income	DTI
<ul style="list-style-type: none">• \$620,000 - owner-occupied home loan• \$10,000 - ASB credit card (total limit used)• \$5,000 - other bank credit card (total limit used)• \$12,000 - other bank personal loan	<ul style="list-style-type: none">• Salary applicant 1 - \$46,000.00 p.a.• Salary applicant 2 - \$95,000.00 p.a.	Total borrower debts (based on the higher of the loan balance or credit limit*) divided by the total annual gross income before scaling
Total debt: \$647,000.00	Total income: \$141,000.00	$\frac{\$647,000.00}{\$141,000.00}$ = 4.59 DTI

3.1.6 Number of households

When submitting an application, we need to understand if all of the borrowers are living in the same house. You will need to specify the total number of 'households'.

The number of households is determined by the number of properties that the applicants will live in once the lending is advanced.

The number of households is not determined by the number of properties the applicants have, even if they have more than one owner-occupied property e.g. if a customer has a home and bach this will be considered one household.

Household examples:

One household	Two households
Where a couple are buying a house to live in, and they live under the same roof	Where two friends are buying a house, and only one of the friends will be living in the house
Where a couple are buying a house to live in with their two kids	Where two friends are buying a house to rent, and neither are living in the house and both friends live in two separate houses
Where a business has bought a house and both directors will be living in the same house	Where a business has bought a house and both directors will be living in different houses
Where a couple have bought a rental or a bach, and they will be living in the same house	



3.2

Servicing a loan



3.2.1 How we assess different types of income

i) Gross Reliable Income (GRI)

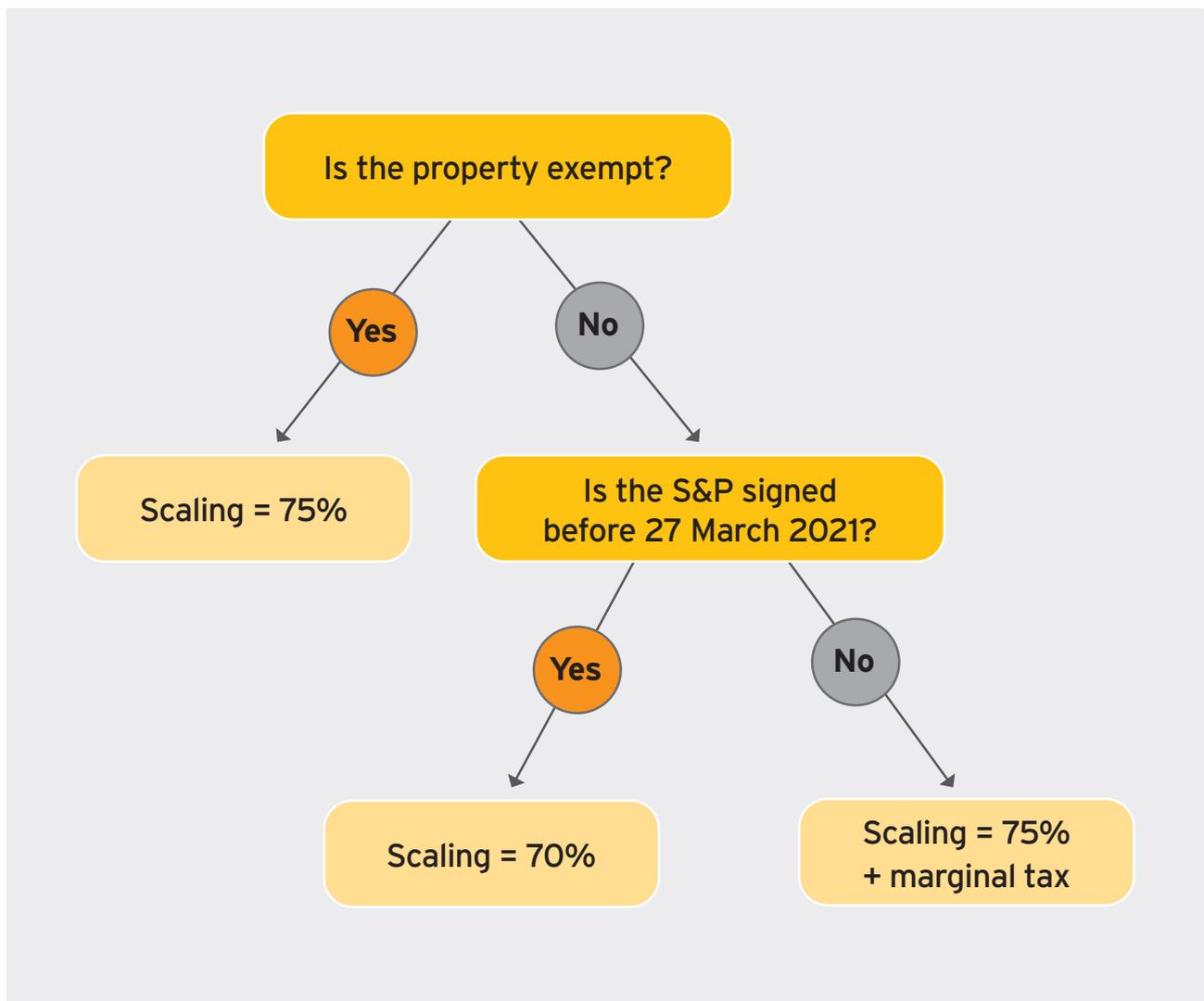
GRI is the average monthly income received from reliable sources. It's your client's normal gross salary or wage payments, including regular, long-term, part-time employment, overtime and benefit income (base benefit and accommodation supplement).

Some income sources are not included in GRI but we can review these on a case-by-case basis. These income sources are:

- Irregular or short term overtime income (maximum scaling of up to 80%)
- Child or spouse maintenance (maximum scaling of up to 75%)
- Income from insurance (e.g. disability) (maximum scaling of up to 100%)

We can consider Working for Families income on a case-by-case basis for dependents aged up to age 18 at the time of the application.

ii) Rental income



3.2

Servicing a loan



3.2.1 How we assess different types of income (continued)

ii) Rental income (continued)

The below table details what we can allow as a percentage of weekly rent for GRI:

Type of Rental Income	Scaling	Notes
<p>Rental Income - Exempt</p> <p>Criteria:</p> <ul style="list-style-type: none"> New builds and turnkeys with a code of compliance (CCC) issued on/after 27 March 2020. Rental properties that are being leased for emergency/transitional/social housing to a social housing provider (such as Kāinga Ora and the Ministry of Housing and Urban Development). Rental properties that are owned by a Māori authority or on Māori land. Residential rental properties that are being used as business premises. <p>Note: applications involving these should be processed as business loan and NOT a home loan.</p>	<p>75%.</p> <p>The scaling allows for costs of depreciation, insurances, rates, repairs, maintenance and vacant tenancies.</p>	<p>Income recognised in UMI calculation:</p> <ul style="list-style-type: none"> Scaled Gross Rental Income with no tax applied. <p>Example:</p> <ul style="list-style-type: none"> Gross rental income \$1000pw. Scaled GRI @ 75% = \$750pw. For UMI purposes, ASB will use the scaled gross rental income.
<p>Rental Income - Sale and Purchase Agreement Pre 27 March 2021</p> <p>Criteria: Applies to all non-exempt properties with a Sales and Purchase agreement signed before 27 March 2021.</p>	<p>70%</p> <p>The scaling allows for costs of depreciation, insurances, rates, repairs, maintenance and vacant tenancies and the phased tax liability.</p>	<p>Income recognised in UMI calculation:</p> <ul style="list-style-type: none"> Scaled gross rental income with no tax applied. <p>Example:</p> <ul style="list-style-type: none"> Gross rental income \$1000pw. Scaled GRI@70%= \$700pw. For UMI purposes, ASB will use the scaled gross rental income.
<p>Rental Income - Sale and Purchase Agreement Post 26 March 2021</p> <p>Criteria: Applies to all non-exempt properties with a Sales and Purchase agreement signed on or after 27 March 2021.</p>	<p>75% and accounting for the applicant's marginal tax rate.</p> <p>The scaling allows for costs of depreciation, insurances, rates, repairs, maintenance and vacant tenancies.</p>	<p>Income recognised in UMI calculation:</p> <ul style="list-style-type: none"> Scaled Gross Rental Income. The scaled income amount is then subject to the customer's marginal tax rate. Refer to below guidance on rental apportioning for multiple owners. <p>Example:</p> <p>For ease of calculation, the following example assumes the customer's marginal tax rate is 33%.</p> <ul style="list-style-type: none"> Gross rental income \$1000pw. Scaled GRI @ 75% = \$750pw. For UMI purposes, ASB will calculate the rental income after the tax rate of 33% has been applied. Apply customer's marginal tax rate e.g. 33% x \$750pw = \$247.50. Scaled GRI after tax applied: \$502.50.



3.2

Servicing a loan



3.2.1 How we assess different types of income (continued)

ii) Rental income (continued)

The below table provides examples of how ASB will apportion interest tax-deductible residential investment income:

Ownership of Residential Investment Property	How to apportion income
Personal names, Trusts, Partnerships	<p>Evenly apportion the rental income across the owners of the rental property.</p> <p>Example:</p> <ul style="list-style-type: none">• If 2 owners - 50/50 income split.• If 3 owners - 1/3, 1/3, 1/3 income split. <p>Where your clients advise they have different arrangements (e.g. 20/80 split), we will change the split accordingly.</p> <p>Note: For trusts, exclude the professional and/or independent trustees.</p>
Company (LTC)	<p>Apportion the rental income based on the shareholding of the company.</p> <p>Example:</p> <ul style="list-style-type: none">• If 50/50 shareholding - allocate 50% rental income to each owner.• If 80/20 shareholding - allocate 80% and 20% rental income to each respective owner. <p>Where your clients advise they have different arrangements (e.g. 20/80 split), we will change the split accordingly.</p>
Personal name + Trust/ Partnership	<p>Evenly apportion the rental income across the personal names and the Trust. Then allocate the residual rental income in the trust, evenly between the trustees.</p> <p>Example:</p> <p>Borrower A and ABC Family Trust where A, B and C are trustees.</p> <ul style="list-style-type: none">• Allocate 50% of the income to borrower A.• Allocate 50% of the income to the Trust.<ul style="list-style-type: none">- Allocate 1/3rd of the residual rental income in the trust to A, B and C. <p>This effectively means that A receives 66.5% of the income [50% + (50% x 33.33%)]. B & C receive 50% x 33.33% = 16.5% each.</p> <p>Note:</p> <ul style="list-style-type: none">• If the other owner of the property is a company (rare) then follow the same process but apportion the residual rental income in accordance with the shareholding of the company as shown above.• For trusts, exclude the professional and/or independent trustees.• Where your clients advise they have different arrangements (e.g. 20/80 split), we will change the split accordingly.

iii) Boarder income

Boarders can be defined as:

- **A flatmate**
Your client buys a home and takes on a flatmate(s).
- **Students**
A secondary or tertiary student (including overseas students) who pays regular board to your client.
- **Other**
Any other person who pays regular board to your client.



3.2

Servicing a loan (continued)



3.2.1 How we assess different types of income (continued)

iii) Boarder income (continued)

The below table details what we can allow as a percentage of weekly boarder income for GRI:

Weekly gross boarder income	Percentage of gross boarder income
Average monthly boarder income received over at least 12 months	80%
Boarder income for overseas students	Up to 75%

Our policy

- A **maximum** of **2** boarders for:
 - Any **ASB home loan applications**
 - Any other ASB lending
- The maximum amount per boarder is \$240.00 per week (gross).
- Boarder income needs to be exclusive of expenses.
- It is required that you allow one bedroom for each sole borrower, couple, dependent and boarder.
- If your client has an out-of-the-box scenario regarding their boarder/s (for example more than one boarder per bedroom), contact us to find out what's possible.
- Refer to evidence of income for details on the information required to verify boarder income.

iv) Overseas income

We can consider **overseas income** for customers with **New Zealand citizenship** or **permanent residency*** who are living in New Zealand or overseas, subject to the following:

- Permanent resident status needs to be confirmed by providing evidence of a Permanent Resident Visa or Indefinite Returning Visa.
- A maximum LVR of 70% will apply.
- Overseas income needs to be salaried/wage employment. Self-employed or business income can't be used.
- Overseas income is converted to NZD and scaled at 90% for AUD or 80% for all other currencies.
- We'll need your client to meet an ASB representative in person at an ASB branch to confirm loan approval, and they will need to provide original documentation - See evidence of income.
- If your client is an existing ASB customer who is wanting to top up their loan, we may be able to waive this requirement. We'll need to see evidence of deposits of overseas income into an ASB bank account for a minimum of three months.

An Australian citizen who is living and working in New Zealand

- Can apply for a loan under the same conditions as a New Zealand citizen or permanent resident.
- We can't accept applications from Australian citizens living outside New Zealand.
- *To find out what's possible for clients who don't hold NZ citizenship or permanent residency, please refer to 'customer situations - non-residents'.

Overseas rental income

- Overseas loan payments should be included in the application, the repayments would be converted to NZ dollars at the current ASB Buys Int'l Transfer rate at: <https://www.asb.co.nz/foreign-exchange/foreign-exchange-rates.html>

Overseas pension income

- Require same evidence as the local pension income.

Overseas investment income - other

- This applies to overseas investment income that is not rental income.

NZ based offshore income

- These are New Zealand based citizens working from NZ for international company, where income is sourced from offshore.
- Confirmation is required from the employer on income; that the employment is permanent; and the client may reside/work from NZ.



3.2

Servicing a loan (continued)



3.2.1 How we assess different types of income (continued)

v) Parental leave income

If your client is applying for a home loan while on parental leave, we'll look at their paid parental leave and the salary they will receive upon their return to work. As parental leave circumstances vary, [contact us](#) to find out what we can do. Refer to evidence of income for details on the information required to [verify parental leave income](#).

vi) Bonuses

- Maximum 80% of gross income can be allowed as income for GRI.

vii) Casual/Seasonal Income

- This is defined as non-regular income from casual or seasonal work. If customer is in the job more than 6 months, income will not be counted as casual/seasonal income. Rental income from seasonal sources like Air BnB can't be used under this.
- Maximum 100% of the net income can be allowed as income for GRI.

viii) Commission

- Where commission is the primary income source and received on a regular basis (e.g. real estate agents). Only 1 year of financials is required - 100% of the gross income can be used for servicing calculations
- Where commission is not the primary source or no financials are available, maximum of 80% of the gross income can be allowed as income for GRI.

ix) Dividend

- Maximum 80% of the net income can be allowed as income for GRI.
- Dividends are defined as a sum of money paid regularly (typically annually) by a company listed on the stock exchange to its shareholders out of its profits.
- Dividends from Private Company's cannot be used, and we must follow the process under self-employed income and seek Financials.

x) Interest

- Maximum 80% of the net income can be allowed as income for GRI.

xi) Investment income

- Maximum 80% of the income can be allowed as income for GRI.

xii) ACC

- Consideration needs to be given to determine whether this is a short term injury or a more permanent injury, with long term payment to retirement. If short term (less than 3 months) then consideration needs to be given to using salary and wage payments for income.
- Maximum 75% of the income can be allowed as income for GRI.

3.2

Servicing a loan (continued)



3.2.2 Evidence of income

Below is a breakdown of the information you'll need to include with your client's application. You will need to ask questions of your client to ascertain the below information. You must record the results of these questions and provide this complete record to us. We are relying on you to verify this information on our behalf so you must ensure the verification evidence provided is complete, accurate and shows no evidence of tampering or forgery.

Future earning capacity

- A record of inquiries you've made to find out whether a client/guarantor is aware of any likely change to their situation which might negatively impact how much they earn in the future.

Evidence of income examples

- A contract or letter on company letterhead from your client's employer (dated within the last 4 months), detailing the nature of their role, how much they earn and how long they've been working there.
- Your client's most recent payslips showing the employer and employee names, as well as their base salary and extras. If no annual figure is visible on the payslip, the three most recent payslips will be required.
Note: We may not need payslips if your client's income has been direct credited to an ASB account for a minimum of three months and the employer's details are shown on their most recent 3 months bank statements.
- Your client's most recent tax summary from IRD confirming their annual taxable income. The tax summary needs to be no more than 18 months old.
- Signed and dated financial accounts completed by a qualified accountant (independent to your client's business) or taxation adviser. The accounts cannot be more than 18 months old. The figure used for the income is the net profit (before tax and drawings). See [self-employed income](#) for details on what figures can be added back in.

i) Evidence of rental income

It is important to be comfortable that the rental income that is being included in a loan application is realistic for the location and type of dwelling. Where possible, you should obtain actual evidence of rental receipts to the borrowers accounts. The below are acceptable forms of verification.

- Most recent 3 months bank statements clearly showing rental deposits (internet bank statements may be used if authenticity can be clearly identified e.g. bank logo is authentic).
- A **recent*** Rental Manager's statement of rent received (dated within the last 4 months).
- A **recent*** Real Estate agent or Property Managers rental appraisals (If a range is stated, use the lower figure) (dated within the last 4 months).
- Copy of tenancy agreement or IRD personal tax returns.
- Where a new rental security, and none of the above is available, reference to Government statistics confirming rental is less than or equal to similar size/location dwelling may be accepted. Use of median rent is acceptable. Refer to [Tenancy Services](#) website.
- When customers advise they have different split of rental income other than the default 50/50 split, you should verify the split where possible. If it's not reasonably practical to ascertain the split of rental income from verification methods (e.g. rental income paid into shared account), then we can rely on what your client tells you. Remember to note the discussion in the application.
- Copy of the lease/tenancy document with the provider to confirm rental properties that are being leased for emergency/transitional/ social housing to a social housing provider.

ii) Evidence of boarder income

To verify boarder income, we'll need the following information:

- Correspondence you have had with your client regarding the number of household occupants relative to the number of bedrooms.
- If there is a boarder already living in the home/flat, your client will need to provide most recent 3 months bank statements showing regular, referenced deposits.
- If a new boarder is moving in, we will require either a:
 - Completed ASB Home Loan Boarder Declaration Form
 - Signed formal agreement between the borrower and the boarder stating the amount that will be paid.



3.2

Servicing a loan (continued)



3.2.2 Evidence of income (continued)

iii) Self-employed income

When deciding how much we can lend a customer who is self-employed, we look at the financials for a business, HENRY Income Statements or IR3 for an individual.

Financial accounts should be no more than 18 months old and prepared by an accountant who is independent to the business. Where your client is not 100% shareholder in the business, income used should be scaled according to your client's shareholding percentage and verified by other directors.

We determine the income of self-employed borrowers by reviewing their financial data:

- All pre-tax personal income derived from the business/trading.
- Your client's ownership/shareholding in the business.
- That the business is solvent and its performance is satisfactory.

We can allow the following add-backs:

- Depreciation.
- Home office.
- Interest (if applicable).
- Rent (if the property is owned by a related entity, while giving consideration to that entity's obligations).
- The shareholder salary or the wage received by your client should be loaded under borrower's employment income section (if paid before the Net Profit Before Tax (NPBT) calculation).

All business liabilities and the corresponding commitments (principal and interest payments) need to be included in the application to reflect amortisation in the UMI calculation.

We can accept other financials including **draft financials and management accounts** (considered on a case-by-case basis) and IRD documentation.

IRD documentation:

- You'll need to send us the most recent tax summary as provided by the IRD confirming the annual taxable income (no more than 18 months old).
- If your client is self-employed and has an **IRD Return Acknowledgement*** summary of earnings and no financial statements, we can consider the application on a case-by-case basis.
- Using IRD documentation for income verification for business income is currently outside of our policy and as such is considered on a case-by-case basis.

HENRY:

- You'll need to send us the latest HENRY Income Statement, no older than 18 months.
- Where there is less than 2 years of HENRY Income statements available, your client will also need to supply an IRD Return Acknowledgement or Financial Statements.
- Where less than 2 years of Financial information is available this will be considered on a case-by-case basis.

Additional details:

- Two years evidence of income is preferred.
- Where there is fluctuation evidence in income, commentary explaining the background to fluctuations should be provided.

iv) Evidence of parental leave income

Parental leave income is determined on a case-by-case basis.

- For paid parental leave, evidence may be by way of letter, bank statements or summary from IRD (no more than 4 months old).
- For salary, we require a letter from employer to confirm return to work date and income applicant will be earning (no more than 4 months old).

*IRD will issue a Return Acknowledgement notice after the income tax return has been processed to confirm they've received it, and accepted the figures as they've been returned.



3.2

Servicing a loan (continued)



3.2.2 Evidence of income (continued)

v) Evidence of Overseas rental income and Overseas investment income

- Verification will include an average of the latest 12 months of payments. If less than 12 months history is available, we would consider this on a case-by-case basis.

vi) Evidence of Bonuses

- Verification will include using the lower of the latest 2 years of bonus history. If there is a strong rationale for using the higher of 2 years, or if less than 2 years history is available, we would consider this on a case-by-case basis.

vii) Evidence of Casual/Seasonal Income

- Verification will include an average of the latest 2 years of casual/seasonal income history. If less than 2 years history is available, we would consider this on a case-by-case basis.

viii) Commission

- Where commission is the primary income source and received on a regular basis (e.g. real estate agents). Verification will require 1 year most recent financials.
- Where commission is not the primary source or no financials are available, verification will require an average of the latest 2 years of commission payments.
- If less than required history is available, we would consider this on a case-by-case basis.

ix) Evidence of Dividend

- Verification will include an average of the latest 2 years of dividend payments. If less than 2 years of history is available, we would consider this on a case-by-case basis.

x) Evidence of Interest

- Verification will include an average of the latest 12 months of interest payments. If less than 12 months of history is available, we would consider this on a case-by-case basis.

xi) Evidence of Investment income

- Require evidence of monthly/quarterly/six monthly or annual interest or distributions.
- Verification will include an average of the latest 12 months of payments. If less than 12 months of history is available, we would consider this on a case-by-case basis.

xii) Evidence of ACC

- Verification require an entitlement letter from ACC to confirm the amount the customer is to receive or confirm ongoing payments (no more than 4 months old).

*IRD will issue a Return Acknowledgement notice after the income tax return has been processed to confirm they've received it, and accepted the figures as they've been returned.

3.3

How we assess expenses



3.3.1 Expense categories

As a responsible lender, we need to make sure your client can afford their lending to avoid any potential hardship.

- Your client's monthly living expenses are the amounts they declare to you and must be reasonable for their circumstances. Your customers must be able to maintain a reasonable standard of living.
- You will need to capture your clients' expenses and anticipated expenses based on the 12 months following draw down of the loan.
- If your client has expenses for multiple households, this needs to be included as a separate set of expenses per household in the application.
- Where required (see below table), legitimate sources of evidence such as most recent 3 months bank statements, invoices, evidence of fees from (for example) the school website must be provided.
- We are relying on you to verify this information on our behalf so you must ensure the verification evidence provided is complete, accurate and shows no evidence of tampering or forgery.
- You will need to ask questions of your client to ascertain the below information. You must record the results of these questions and provide this complete record to us.
- If your client's Uncommitted Monthly Income (UMI) is \$1000 or more, you do not need to provide additional verification for living expenses. However, it is your responsibility to ensure that these expenses are not being underestimated. The most recent 3-month bank statement must still be provided to ensure current account conduct.

Living Expenses	Costs we need you to include	Evidence required?	
		UMI < \$1000	UMI >= \$1000
Household			
Food	General groceries, food, meat and vegetables.	X	X
Utilities	Phone (landline/mobile), power, internet, gas, water bills.	X	X
Rates	Owner occupied property rates.	X	X
Transport	Parking, petrol/diesel, warrant of fitness, registration, vehicle servicing, public transport.	X	X
Ongoing household expenses	Regular household maintenance, lawnmowing, cleaners.	X	X
Personal			
Childcare	Day care, after-school care, babysitting, au-pair. Note: Childcare does not include child support - this should be captured separately as a <u>fixed financial commitment</u> and evidenced	X	X
Healthcare/medical care	Doctors, dentists, prescriptions, physio.	X	X
Personal care and clothing	Clothes, footwear, personal care such as hairdressing, pet care.	X	X
Public education	Public school fees/donations.	X	X
Private education	Private school fees/donations.	✓	X
Insurance	Premiums for:		
House and contents	House and contents insurance.	X	X
Vehicle	Cars, boats, trailers, motorcycles, caravans, jet skis.	X	X
Health, medical, funeral	Health, Medical, Funeral.	X	X
Life and disability	Life, income, disability, trauma insurance.	X	X
Other non-discretionary expenses			
Other non-discretionary expenses	Any regular or recurring outgoings that have not already been captured that the customer is unwilling to give up or reduce in hardship. For example social, moral or cultural obligations. If your client has a non-discretionary expense you must capture a short description of that expense. e.g. Customer is unwilling to give up their Netflix subscription and gym membership	X	X



3.3

How we assess expenses (continued)



3.3.1 Expense Categories (continued)

i) How we determine your client's affordability

For the majority of expenses (unless we have asked you to provide specific verification evidence) we decide the appropriate level of monthly living expenses by taking the higher of:

- Your client's declared monthly living expenses or;
- The minimum acceptable average living expenses amount (as determined by ASB).

3.3.2 Fixed financial commitments

- Fixed financial commitments (FFC) are expenses such as loan & debt repayments including credit cards, store cards, hire purchases etc.
- You will need to capture your clients' FFC and anticipated FFC based on the 12 months following draw down of the loan.
- You will need to ask questions of your client to ascertain the below information. You must record the results of these questions and provide this complete record to us.
- CCCFA regulations require verification of expenses with reliable evidence when the UMI is under \$1000.
- RBNZ DTI requires verification of all debt balances (or limits if higher) with reliable evidence.
- You must ensure the verification evidence provided is complete, accurate and shows no evidence of tampering or forgery.
- We require the amount (or limit) and frequency of repayments to internally calculate debt repayments for affordability.

i) Types of FFC and verification requirements

As a general rule, fixed financial commitments must be verified. This is to ensure we comply with CCCFA and DTI requirements and do not materially underestimate a particular borrower's relevant expenses.

Many commitments can be verified via information we already hold - e.g. if the customer already banks and transacts with ASB, we might be able to use our internal statements to evidence their expenses. You must ask your customer what their liabilities and expenses are and provide verification (if required) as shown in the examples below.

If the client's UMI is above \$1,000, evidence for the fixed financial commitments will not be required (except for non ASB debts as detailed in the table below). ASB will still do credit checks via our comprehensive credit reporting to internally verify liabilities that appear and still reserve the right to ask for further verification if necessary. ASB still requires the most recent 3-month bank statements to be provided to confirm current account conduct.

Type of FFC	Description/What you need to include	Examples of acceptable evidence (Evidence only required for lending with UMI under \$1,000 unless stated required for all applications)
ASB debt	Include the amount of the debt or the limit of the revolving credit facility (including overdrafts and credit cards) as relevant.	No evidence required.
All loans at any other financial institutions*	Monthly payments. (Also include guarantor's external commitments).	Most recent 3 months bank statements or loan statements that show expense.
	Debt balances.	All applications Most recent bank statements or screenshot showing the loan balances.
Overdrafts, revolving credit facilities, and/or credit and store cards*	The limit of the applicant's overdraft. ASB will calculate the repayment based on if the limit was fully utilised.	All applications Most recent bank statement showing the limit can be used to verify this.
Hire purchase payments	Actual weekly/fortnightly or monthly payments.	Most recent 3 months bank statements or loan statements that show the expense.

* Include business debt and guarantor external commitments. We may require an additional Business debt declaration if the application exceeds our DTI ratios to enable ASB to exclude this debt from the calculation.



3.3

How we assess expenses (continued)



3.3.2 Fixed financial commitments (continued)

i) Types of FFC and verification requirements (continued)

Type of FFC	Description/What you need to include	Examples of acceptable evidence (Evidence only required for lending with UMI under \$1,000 unless stated required for all applications)
Hire purchase payments	Actual weekly/fortnightly or monthly payments.	Most recent 3 months bank statements or loan statements that show the expense.
Buy now pay later (BNPL) debts	<p>These are interest-free amounts which are repayable in full over a very short term, typically 4 to 10 weeks. The most common BNPL providers are Afterpay, Laybuy, Zip and Klarna. To ensure expenses aren't captured and calculated twice, the correct purpose for BNPL must be captured.</p> <p>You must include:</p> <ul style="list-style-type: none"> • Institution the scheme is with. • Limit of the BNPL debt. 	No evidence required.
Balloon Payments	<p>These loans aren't too common however typically require no payments until the end or have specified periodic intervals when payments are required.</p> <p>E.g. no repayments until 20/12/2025 and then full payment required or, 1/3 deposit 1/3 in 12months and 1/3 in 24 months.</p>	<p>If the applicants have set money aside to repay the loan when it is due - Exclude and provide evidence of the funds being held for this purpose.</p> <p>If the applicants have not set money aside to repay the loan when it is due, then:</p> <p>Obtain the terms of the contract and Calculate repayments spread out over term of the contract.</p> <p>E.g. No payments for 36 months - loan amount \$100K. $\\$100K \div 36 = \\2777.77 per month.</p> <p>If the loan is conditioned to be repaid, then no evidence of expenses is required, however confirmation of debt closure is required.</p>
Lease Payments (Motor Vehicle)	Actual weekly/fortnightly or monthly lease payments.	Most recent 3 months bank statements or loan statements that show the expense.
Family loans	Include regular payments and loan balance being made via private arrangements.	All applications Most recent 3 months bank statements or loan agreement that shows the expense.
Body Corporate payments	Actual costs (Monthly, Quarterly or Annually).	Most recent 3 months bank statements or body corporate invoice or estimate that shows the expense.
Lease/ Ground Rent	Actual costs for leasehold securities.	Most recent 3 months bank statements or lease agreement that shows the expense.

3.3

How we assess expenses (continued)



3.3.2 Fixed financial commitments (continued)

i) Types of FFC and verification requirements (continued)

Type of FFC	Description/What you need to include	Examples of acceptable evidence (Evidence only required for lending with UMI under \$1,000 unless stated required for all applications)
Child support/maintenance	IRD & private arrangements payments.	Most recent 3 months bank statements or IRD statements that show the expense.
Student loans	<p>If your client(s) have a student loan, please include student loan balance in your application for all applicants.</p> <p>More information about repaying student loans is available on ird.govt.nz/student-loans.</p>	<p>Please provide evidence of student loan balance. (Screenshot from IRD or StudyLink is acceptable)</p> <p>The easiest way to verify student loan contributions is via a recent payslip.</p> <p>Alternatively, if the customer's income varies in each pay cycle; use the IRD calculator which will work for student loans and KiwiSaver. You will need to ask the customer for the tax code they use. E.g. MSL and use that in the calculator.</p>
KiwiSaver payments (Wages/Salary/Self Employed):	<p>Include the current KiwiSaver contribution rate and amount. If your customer is planning to reduce their contributions, you must record this in your application notes.</p> <p>If your client is making contributions through PAYE or voluntary contributions (i.e. don't receive wages/salary), include the actual contribution amount for UMI calculations.</p> <p>If your client is suspending contributions (savings suspension), don't include it in UMI calculations. However, you must record this in your application notes.</p> <p>If your client is not enrolled in KiwiSaver, don't include it in UMI calculations.</p>	No evidence required.
Superannuation Scheme payments	<p>Include actual contributions.</p> <p>If the borrower is able to and wants to stop these payments, these may be excluded.</p>	Most recent 3 months bank statements or super scheme statements that shows the expense.

3.3

How we assess expenses (continued)



3.3.2 Fixed financial commitments (continued)

i) Types of FFC and verification requirements (continued)

Type of FFC	Description/What you need to include	Examples of acceptable evidence (Evidence only required for lending with UMI under \$1,000 unless stated required for all applications)
Rent or customer's share of rent	<p>Payments must be clearly evidenced by payments to/from applicant's account.</p> <p>If the client is sharing the rent with other flatmates and receives payments from them; include the full amount of the rent that the customer is paying.</p> <p>If the application goes into negative UMI, ASB will on a case by case basis assess these deals on the merits of the application and the mitigants you have provided, which may include inclusion of the share of rent being paid to the applicant.</p> <p>E.g. You have a customer who pays \$750 per week for rent via automatic payment. However, we can see 3 months of credits of \$250 p/w being paid into his account from a flatmate.</p> <p>Use \$750 p/w as the expense.</p> <p>If the application goes into negative UMI, ASB will, on a case-by-case basis, assess the application with mitigation that evidences the flatmate who pays \$250 p/w into the customer's account.</p> <p>A positive UMI must be evident to support approval.</p>	<p>Most recent 3 months bank account statements that show the expense or tenancy agreement.</p>

3.3

How we assess expenses (continued)



3.3.2 Fixed financial commitments (continued)

i) Types of FFC and verification requirements (continued)

Type of FFC	Description/What you need to include	Examples of acceptable evidence (Evidence only required for lending with UMI under \$1,000 unless stated required for all applications)
Tax (including Brightline tax)	<p>The expenses associated with tax liabilities should be catered for in servicing assessments.</p> <p>Tax payments can be made to IRD in several ways including regular deductions or via a lump-sum payment.</p> <p>The bright-line property tax means that people who sell a residential property might need to pay income tax on any profit.</p> <p>If an applicant has business debt, this will be excluded from Debt to Income.</p>	<p>If the applicants have set money aside to repay the tax when it is due then exclude and provide evidence of the funds being held for this purpose.</p> <p>If the applicants have not set money aside to repay their tax liability when it is due, then:</p> <p>Ask the applicants if the tax they are due to pay is being paid via an arrangement with IRD.</p> <p>If yes - obtain evidence of the repayments (e.g. most recent 3 months bank statements or IRD confirmation) and include the repayments as an expense.</p> <p>If no - Obtain the terms of the tax payment and treat the expense in as you would 'Balloon payments'.</p> <p>E.g. \$100K tax due in 9 months - customer has not kept money aside for this - include $\\$100K \div 9 \text{ months} =$ include \$11,111 as monthly expense.</p> <p>If the application goes into negative UMI, ASB will assess these on a case-by-case basis and we will need to understand how the customer(s) intends to repay the tax liability.</p> <p>If applicants have business debt, Please verify using bank/loan statements, financial statements provided by applicants. If business debt is not included on the business balance sheet, we would require applicant to provide a declaration to confirm that debt is not used for residential purposes.</p>

Note: Where a customer has a jointly owned rental property (separate to this arrangement), you must include 100% of the mortgage including repayments in the application liabilities. Under income you must use 100% of rental income and verify as per policy.

When a single applicant is applying for a loan, and joint fixed financial commitments exist you must:

- Carefully consider the customers' overall financial responsibilities, including details of joint commitments paid by one party, and specify the full value of commitments as liabilities/outgoings.
- Specify the full amount of joint liability if it's jointly and severally liable.
- Example: If applicant A is applying for a home loan individually, where they are currently paying a hire purchase of \$100 per month together with their spouse/partner 'B', use the full value of \$100 per month as external liabilities/outgoings as an expense in the application.

3.3

How we assess expenses (continued)



3.3.3 CCCFA Obvious Affordability Exemption

The CCCFA Obvious Affordability exemption applies to all retail lending products.

If your client's Uncommitted Monthly Income (UMI) is \$1000 or more, you do not need to provide verification for Fixed Financial Commitments and living expenses.

It is important to note that ASB will still require the most recent 3-month bank statements from the client to ensure good account conduct. We also do credit checks via our comprehensive credit reporting and will ask for further verification if necessary.

Note: To meet RBNZ Debt to Income requirements we need to verify all external debt balances (or credit limit if higher) as per [section 3.3.2](#)

3.3.4 Dependents

A dependent is a child who is under 18.

Do not include any other members of a [household](#) in this category. Adult children or parents living with the applicants are not dependents.

It is reasonable to assume that the living [expenses](#) associated with a household will increase if there are adult children or parents etc. living with the applicants.

Child Support arrangements where the child is less than 18 years old and doesn't live with the applicant(s):

- Number of dependents = 0.
- Provide us with expenses for child support as a [Fixed Financial Commitment](#) with appropriate evidence.
- Do not include child support as childcare costs under customer living expenses.

Shared custody if the applicant(s) is paying child support:

- Do not include the (child) children as dependents.

Shared custody if the applicant(s) is not paying child support:

- Include the (child) children as dependents.
- Where 50/50 care is provided, and the application goes into negative [UMI](#), you will need to mitigate this appropriately.



3.4

Securing residential lending



3.4.1 Overview of securities

We consider a security to be a registered mortgage over residential freehold or selected leasehold property.

Residential security types include:

- Owner-occupied residential dwelling.
- Investment (rental) residential dwelling.
- Recreational or holiday home.
- Vacant land.
- Terraced houses typically are a row of identical or mirror-imaged houses which share side walls (party walls).
- Apartments (a dwelling in a multi-level building greater than 2 levels, usually with access via a common foyer).
- Lifestyle property (a property that has a residential dwelling in which the owner predominantly resides in and has not been marketed for sale as a farm. These properties can be zoned rural, residential or lifestyle).

We can't accept the following security types:

- Maori leasehold land.
- Leasehold property where the loan term is greater than the remaining term of the lease.
- Commercial property - refer to the [Business Banking Broker team](#).
- Farm.

We can review the use of Maori freehold land and property that is not predominately used for farming or commercial activities as security on a case-by-case basis.

3.4.2 General security requirements

We establish the value of the property or security being offered by using the following tools:

i) Capital valuation (CV)

We look at a CV on a case-by-case basis to determine if it's acceptable. We review several factors including the loan purpose and the property type before making a decision.

CV criteria:

- Needs to be identical to the security on offer.
- Cannot be more than 60 months old.
- Can only be used on fee simple type property (freehold).

ii) Automated Valuation Model (AVM)

We look at an AVM on a case-by-case basis to determine if it's acceptable. When making a decision, we look at the loan purpose, property type and the confidence levels specific to each AVM.

AVMs aren't suitable in the following situations:

- Security classification (e.g. Māori land, leasehold).
- Security location and/or value.
- Where there is insufficient sales information to accurately calculate a reliable AV.



3.4

Securing residential lending (continued)



3.4.2 General security requirements (continued)

iii) Desktop valuation reports

We look at a desktop valuation on a case-by-case basis to determine if it's acceptable, factoring in the loan purpose and property type. All desktop valuation reports need to be sourced via the desktop valuation service as advised by us.

Desktop valuations might not be available for some properties due to the complexities of the property type (apartments, leaseholds, higher value properties), or the location (valuations are only done within urban city boundaries).

Note: A valuer may escalate the desktop valuation to a full market valuation (equivalent to a registered valuation) if the property does not meet the required criteria, for example:

- The property has been substantially renovated.
- Weather tightness issues.
- The property data is different to the information provided.

iv) Registered valuation reports (RV)

We'll need all registered valuation reports to be sourced via the panel valuation service as advised by us.

We reserve the right to request a registered valuation and/or builder's report.

v) Sale and purchase agreement

A sales and purchase agreement is a legally binding document used for the purchase of a property.

Requirements and parameters:

- An original copy, fully executed through a licensed real estate agent (if it's a private treaty, a registered valuation may be requested).
- Signed by all parties to the agreement.
- No more than six months old.
- Has the correct street address and full legal description.
- Has all alterations on the agreement initialed by all parties.
- The maximum threshold for using sale and purchase price is \$2.5 million for properties in the Auckland/Queenstown region, and \$1.5 million for the rest of the country.
- If the purchase price is over these thresholds, we may require a Registered Valuation.



3.4

Securing residential lending (continued)



3.4.3 Loan to value ratio (LVR)

LVR requirements

Type of security	Maximum LVR
Owner-occupied property (sole security)	90%*
Non-owner-occupied property (sole security)	65%
Both owner-occupied and non-owner-occupied property	We take a combined position known as Weighted Average LVR: <ul style="list-style-type: none">• 80% of owner-occupied security.*• 65% of non-owner-occupied security.

*If an LVR is over 80%, we may need a registered valuation (RV).

Any updates around appetite and LVRs will be communicated via email.

To work out the loan to value ratio (LVR):

Total ASB borrowings secured by residential mortgage divided by total security value = LVR

To comply with Reserve Bank of New Zealand (RBNZ) loan-to-value ratio (LVR) policy, we apply maximum LVR requirements to loans secured by owner-occupied and non-owner-occupied property.

If a loan is secured by a mix of owner-occupied and non-owner-occupied property.

The maximum loan amount will be based on the LVR ratios that apply at the time to each property (see table above). A lower maximum LVR may apply depending on the security property classification.

- RBNZ LVR Restrictions (speed limits) allow for some home lending scenarios to be exempt from the RBNZ LVR speed limits.
- Our ability to provide lending may be impacted by regulatory requirements or restrictions imposed (or to be imposed) on us.
- These include any restrictions imposed by RBNZ (including LVR requirements). We may need to withdraw loan offers if we find out providing the loan may impact our ability to comply with our regulatory requirements.



3.5

Security types and conditions of lending



3.5.1 Investment properties

With ASB, your client can use their existing property(ies) to fund more investments by using home equity. Home equity is the difference between the market value of your client's property and the amount still owing on their home loan. If the market value of their home is more than the amount they owe, they may be able to use this to get a loan.

To calculate home equity:

The market value of your home minus the amount owed on any lending secured by the property.

See [loan to value ratio](#) for LVR requirements.

3.5.2 Apartments

Apartments are defined as a dwelling within a multi-level building greater than two levels. There is usually internal access via a common foyer. For lending purposes an apartment must be situated within city/town boundaries.

Below is a breakdown of our lending criteria for apartments:

- Where 'purpose-built' is specified, converted commercial/industrial/hotel/motel properties are excluded.
- The minimum acceptable size for an apartment is 40sqm (excluding balcony & car park).
- Minimum property value \$180,000.
- The accommodation needs to be self-contained i.e. not shared kitchens, bathrooms, toilets.
- UMI needs to include body corporate fees and ground lease payments.
- A copy of the pre-contract disclosure statement (PCDS) or lease agreement will be needed and reviewed for weather tightness issues.
- If the apartment complex is brand new or recently built, a PCDS may not be available - your client can apply for a home loan without it.

Security type	Max LVR	Loan terms
Standard freehold apartment: <ul style="list-style-type: none">• Purpose-built.• Owner-occupied studios (purpose-built).	80%	Normal loan terms apply.
Non-standard freehold apartment: <ul style="list-style-type: none">• Non-purpose-built.• Non-owner-occupied studios.• Student accommodation.• Dual access.• Serviced.	50%	Normal loan terms apply.
Leasehold apartment: <ul style="list-style-type: none">• Leasehold.	70%	The loan term must not exceed the remaining lease term or the next ground rent review date if it falls earlier.



3.5

Security types and conditions of lending (continued)



3.5.3 Terraced houses

Terraced houses typically are a row of identical or mirror-image houses which share side walls (party walls).

Criteria:

- Minimum property value \$300,000.
- Building Inspection Report should be requested if there is any concern with the terraced complex.
- If unit or strata title, a copy of the pre-contract disclosure statement must be obtained and reviewed for weather tightness issues.
- RV maybe required if LVR is greater than 80%.
- Body corporate fees or cost associated with ownership society should be included in the loan servicing calculations.

Security type	Max LVR	Loan terms
Terraced houses: <ul style="list-style-type: none">• Purpose-built.• Fee simple or cross lease.	90%	Normal loan terms apply. A maximum term of 15 years applies to: <ul style="list-style-type: none">• Serviced and or subject to management contract.
Terraced houses: <ul style="list-style-type: none">• Purpose-built.• Unit title or strata title	80%	<ul style="list-style-type: none">• Non-NZ resident, non-purpose-built studios and student accommodation.



3.6

Construction lending



ASB can provide construction lending on a progress payment drawdown basis.

- Progress payments are normally used for the construction of a dwelling. As the project progresses, we provide funds in line with the increasing value of the property being used as security.
- The loan will be on an interest-only basis up to 12 months after which your client will need to start paying down the principal.
- If your client wants to start paying down the principal balance early on a loan with progress payments, the loan must be restructured (see Restructure No New Money 3.8.7 for full details).
 - It is suggested that the restructure is completed prior to fixing lending. ERA fees may apply if restructuring a fixed rate loan.
 - For loans on 'Back My Build' the rate cannot be retained through the restructure process. It is suggested that your client stays on interest only and makes additional lump payments to reduce the principal balance.
- Construction loans are initially documented on a floating interest rate. However the initial drawdown against the land can be done on a fixed interest rate
- We allow a minimum of \$200,000 of a partially drawn construction loan to be restructured to a fixed rate facility during the construction period. This can be done multiple times provided the amount being fixed is no less than \$200,000 each time.

Information required

To assess a construction loan, we'll need:

- The usual supporting information (such as confirmation of deposit and income).
- The sale and purchase agreement for the section (if applicable).
- A registered valuation ordered via the panel valuation service and needs to confirm the current "as is" value and the value upon practical completion of the proposed dwelling.
- Plans and full specifications for the property to be built.
- A fixed price contract or labour-only schedule.



3.6

Construction lending (continued)



3.6.1 Loan criteria for different types of projects and building contracts

i) Fixed price contracts - invoice

This applies to contracts with a builder who is a current member of Registered Master Builders or the New Zealand Certified Builders Association.

As your client's adviser, you'll need to:

- Consider the ability of borrowers to absorb any variance based on UMI and availability of additional savings.
- New home builds and renovations where a building consent is required, a minimum 5% contingency for the build cost must be included in servicing assessments to allow for cost over-runs:
 - Where the contract allows for contingency of 5%, no additional contingency is required.
 - Where there is less than 5% contingency allowed for in the contract, calculate the additional contingency up to the 5% and include the additional contingency in servicing assessments.

NOTE	
For Fixed Price Contracts - (Invoice/Cost to complete), complete fields below when loan purpose is:	
- New home build or	
- Renovations (building consent required)	
\$1,000,000	Build/Construction Cost (excl. land value)
3.00	Contingency %
\$30,000	Contingency Amount

- Verify the builder is a current member of either Registered Master Builders or the New Zealand Certified Builders Association. This can be done via either the building company's website (where membership is usually displayed) or by checking the association's website.
- Review the drawdown schedule to ensure there will be sufficient equity for:
 - The initial advance for vacant land
 - The initial 'deposit' payable to the builder prior to construction commencing and
 - The subsequent progress payments on a cost-to-complete basis.
- Provide confirmation of builders risk (i.e. contract works) insurance with ASB noted as an interested party.
- Provide a registered valuers completion certificate and confirmation of full house insurance prior to the final advance.
- Provide a copy of the code compliance certificate (CCC) within 60 days of the final advance.

In addition to the above:

- The fixed price contract needs to state that drawdowns will be made according to the drawdown schedule, rather than 'regular/monthly payments'.
- A maximum final LVR of 90% applies.
- The LVR calculation is based on the completion value in the registered valuation. It's subject to a maximum variance of 10% from the total construction cost (land plus cost to build).
- Regardless of the type of valuation used, normal deposit requirements need to be met based on the total construction cost. i.e. The difference between total construction cost and on completion value is not considered 'deposit'.
- Any owner's care work/exclusions and PC (provisional cost) sums need to be minimal and can be considered on a case-by-case basis. We may need to see evidence of costings/quotes.
- Progress advances can be made against invoices submitted by the builder, provided the amount requested aligns with the fixed price contract drawdown schedule and your client has given their consent.



3.6

Construction lending (continued)



3.6.1 Loan criteria for different types of projects and building contracts (continued)

ii) Fixed Price Contract - cost to complete

This applies to contracts with a builder who is NOT a current member of Registered Master Builders or the New Zealand Certified Builders Association.

As your client's adviser, you'll need to:

- New home builds and renovations where a building consent is required, a minimum 5% contingency for the build cost must be included in servicing assessments to allow for cost over-runs:
 - Where the contract allows for contingency of 5%, no additional contingency is required.
 - Where there is less than 5% contingency allowed for in the contract, calculate the additional contingency up to the 5% and include the additional contingency in servicing assessments.

NOTE	
For Fixed Price Contracts - (Invoice/Cost to complete), complete fields below when loan purpose is:	
- New home build or	
- Renovations (building consent required)	
\$1,000,000	Build/Construction Cost (excl. land value)
3.00	Contingency %
\$30,000	Contingency Amount

- Review the drawdown schedule to ensure there will be sufficient equity for:
 - The initial advance for vacant land
 - The initial 'deposit' payable to the builder prior to construction commencing and
 - The subsequent progress payments on a cost-to-complete basis.
- Provide confirmation of builders risk (i.e. contract works) insurance with ASB noted as an interested party.
- Provide a registered valuers completion certificate and confirmation of full house insurance prior to the final advance.
- Provide a copy of the code compliance certificate (CCC) prior to the final advance.

In addition to the above:

- Any owner's care work/exclusions and PC (provisional cost) sums need to be minimal and can be considered on a case-by-case basis. We may need to see evidence of costings/quotes.
- A maximum final LVR of 90% applies.
- The LVR calculation is based on what amount is lower: The completion value (detailed in the registered valuation) or the total construction cost (land plus cost to build).
- Progress payment advances can be made once the original valuer has inspected the property and provided a cost-to-complete figure. We will retain this amount and the balance of loan monies will be made available to your client.





3.6.1 Loan criteria for different types of projects and building contracts (continued)

iii) Labour only/self (owner) build

A construction loan completed on a labour-only basis is used to finance the build of a new home or to complete major renovations. Your client will manage the cost of the build employing architects, builders and subcontractors and will purchase material directly from suppliers. This includes obtaining all consents and council inspections for the build or renovations. Labour only includes self builds (owners), relocatable, prefabricated and kit-set homes.

As your client's adviser, you'll need to provide:

- A quantity surveyors report to confirm your client's costings before final approval. This is to make sure the proposed costings for the work are accurate based on current material, labour, and council costs.
- A completed ASB labour-only schedule to determine the total construction cost. This needs to be supported by copies of corresponding invoices.
- Confirmation of builders risk (i.e. contract works) insurance with ASB noted as an interested party.
- A registered valuers completion certificate and confirmation of full house insurance prior to the final advance.
- A copy of the code compliance certificate (CCC) prior to the final advance.

In addition to the above:

- A maximum LVR of 70% applies, based on what amount is lower: The completion value in a registered valuation or the total construction cost inclusive of a 15% contingency.
- A maximum LVR of 60% applies for Owner Build Cost to Complete, based on what amount is lower: The completion value in a registered valuation or the total construction cost inclusive of 15% contingency.
- Progress payment advances can be made once the original valuer has inspected the property and provided a cost-to-complete figure. We will retain this amount and the balance of loan monies will be made available to your client.

Additional requirements for relocatable, prefabricated or kit-set homes

- The initial lending on the vacant land needs to cover any costs to be paid before the dwelling is moved to the site, or materials are delivered to the site.
- For relocatable or prefabricated homes, progress payments can be made on a cost-to-complete basis once sited and connected to services.
- For kit-set homes, progress payments can be made on a cost-to-complete basis once work has commenced with the materials on site.
- The usual invoice process used by Registered Master Builders or Certified Builders cannot be used for relocatable, prefabricated or kit-set homes due to the fact drawdowns are required for off-site components.
- The valuation should show value as-is, sited and complete.

3.7

Deposits and equity



3.7.1 What can be used as a deposit

Your client will generally need to have a deposit worth 20% of the property's value. We know individual circumstances can vary so if your client doesn't have a 20% deposit, [contact us](#) and we'll see what we can do.

Your client's deposit may be a combination of:

- Their own savings.
- A [gift](#) from a family member.
- A family member becoming a guarantor on the loan.
- [KiwiSaver withdrawals](#) (for first home buyers).
- [Equity from another property they own](#).
- Proceeds from the sale of another property - you will need to establish if the proceeds are subject to the [Brightline Tax](#) and if so, declare the tax as a liability.

We require all borrowers to contribute a genuine deposit to be sourced from their own resources. We would normally expect an equitable level of deposit to be provided by all borrowers. When two borrowers are married or in a genuine de-facto relationship, their asset position is shared, so their deposit contribution is generally considered equitable, even if held in an account in one borrower's name.

i) Using KiwiSaver to buy a home

If your client has been a member of KiwiSaver (or another complying superannuation fund) for a minimum of three years, they may be able to withdraw their funds to help buy their first home. The land must be in New Zealand and your client will need to live in the home/build a home on the land they're buying.

ii) Gifting

We look at gifted deposits for loans on a case-by-case basis. You will need to provide a gifting certificate detailing the terms and conditions with your client's application.

3.7.2 Low equity margin

Low Equity Margin (LEM) is an interest margin that applies when you borrow more than 80% of your property's value. The actual LEM charged depends on the loan to value ratio ([LVR](#)) which is calculated as total borrowings divided by the total value of the security property. The LEM for each LVR band is set out in the table below.

i) Low equity margin bands

LVR	Margin
80.01 - 85.00%	0.30% p.a.
85.01 - 90.00%	0.75% p.a.
90.01 - 95.00%	1.30% p.a.
>95.00%	1.50% p.a.

ii) Reactive LEM review

Your client can ask for a reduction or a removal of the LEM that has been applied to their home loan. A minimum period of six months needs to have passed since the loan advance before a review can happen. For construction loans, an LEM review is possible six months after the date of the initial drawdown, however the loan needs to have been fully advanced.



3.7

Deposits and equity (continued)



3.7.2 Low equity margin (continued)

ii) Reactive LEM review (continued)

Criteria for reducing or removing an LEM

We will review any requests on a case-by-case basis, based on the relevant LVR band in place at the date of the request.

Your client will need to obtain (at their expense) the property profile report themselves directly from propertyvalue.co.nz

Valuation Type	Max LVR	Min Confidence Value	Age of valuation
Property profile report	<=82%	Medium - high confidence	Less than 30 days old
Desktop valuation	<=90%	Not applicable	Less than six months old
Registered valuation	90.01% or above	Not applicable	Less than six months old

iii) Proactive LEM Review

We will periodically review your client's Low Equity Margin against their LVR to ensure it is still applicable to their facility. We may change their Low Equity Margin to a lower margin in accordance with our Low Equity Margin Bands or remove the Low Equity Margin entirely if it no longer applies based on their LVR.

We'll notify your client in writing to let them know of any changes to their LEM.





3.8.1 Approval Expiry Policy

- ASB pre-approvals for low LVR (<80%) or **exempt** high LVR lending are valid for 90 days from the date the application was conditionally approved.
- Pre-approvals for **non-exempt** high LVR lending are valid for 60 days.
- If the customer's financial situation has not adversely changed, we may roll over the pre-approval (The number of days will be the same as the previous full verification pre-approval):
 - Confirm by way of an email stating their financial situation hasn't adversely changed
 - The approval extension must be requested and completed prior to the expiry of the initial approval. The customer acknowledgement process will not be available once this date has passed.
- An application's approval can only be extended once without full verification. When the application reaches 120/180 days, a new assessment is required.
- If the above criteria has not been met, you will need to ensure all the information in the application is up-to-date. This includes:
 - **Income:** Providing updated evidence of income. For business income, reverification is only required if financials are older than 18 months.
 - **Fixed financial commitment:** Providing updated evidence of external debt if required (refer section 3.3.3)
 - **Living Expenses:** Reconfirming each category of living expenses with an updated UMI calculator using the current test rate. You must also provide updated evidence of expenses declared under the "Private Education" category if required (refer section 3.3.3).

3.8.2 Refinancing

Moving debt doesn't have to be a headache. If your client wants to refinance existing borrowings from another financial institution, here's a list of what we'll need (along with your client's finance application including the information we need to meet our [CCCFA obligations](#)):

- [Evidence of current debt](#).
- A minimum of three months of statements detailing the successful repayment history of loan and transaction accounts. Copies of original statements are fine; internet statements may be accepted if they meet ASB requirements.
- Evidence that land rates are up to date.
- Evidence that house insurance is up to date (required prior to loan advance).
- You must ask your client whether the security has been impacted by a natural disaster or given a property risk categorisation. If the client is unsure or they answer yes, [refer to 3.8.6](#) for more details.

3.8.3 Credit check

A credit check is a credit history of each individual customer. We may undertake or complete credit checks prior to issuing a loan approval.

3.8.4 Interest only

Interest only loans are where your client makes payments that only cover the interest cost of the loan.

A loan for owner-occupied properties can have an initial interest-only term of up to two years for the following reasons:

- To pay off other ASB debt faster by accelerated home loan repayments or a reduced loan term.
- Your client is about to return to work following a change of job or returning from parental leave or study.
- There is a pending asset sale (your client has a house on the market).
- A construction loan has been approved (this includes land purchase through to completion of the build).

A UMI calculator is to accompany any request for interest only on an owner occupied property.

A loan for investment properties can have an interest-only term of up to five years. In addition to the reasons detailed in the owner-occupied section above:

- Investment property loans can have interest-only status applied for tax purposes.
- Any extensions to the interest only period are individually considered by ASB and are subject to our lending criteria.
- When a five-year term expires, your client will need to request an extension.

Your client can request to end the interest only period at any time. For construction loans refer to [section 3.6](#) for full details of the process.

We can look at any applications that fall outside these guidelines on case-by-case basis.



3.8.5 Home loan top ups

Your client may apply to borrow more funds over and above the loan they already hold with us. You will need to submit a full application via the standard application submission process.

Eligibility criteria

- Your client must not have suffered a hardship event that has adversely impacted their ability to meet their ongoing financial commitments.
- Home loan top ups can be offered for increased lending with no new security(ies) and deposit Loan to Value Ratio (LVR) not greater than the maximum High LVR limits.
- Top ups can be used for the following home improvements: Cosmetic enhancements of minimal nature e.g. paint, wallpaper, carpet, replacing kitchens/bathroom fittings, adding a deck or landscaping. (These enhancements must be non-structural and won't require plans and consents or builder's risk insurance.)
- Note: Renovations are considered structural, not home improvements as the existing property is being altered, (for example walls are being removed, cladding is being replaced or the Flat Plan altered). These requests should be treated as [construction loans](#).
- You must ask your client whether the security has been impacted by a natural disaster or given a property risk categorisation. If the client is unsure or they answer yes, [refer to 3.8.6](#) for more details.

i) ASB Better Homes Top Up

Existing ASB home loan customers can borrow up to \$80,000 to fund eligible improvements such as heating and insulation, solar panels or double-glazing installation. It is also available to fund electric and hybrid vehicle purchases. The ASB Better Homes Top Up offers a low fixed interest rate which can be found on the [ASB website](#).

Eligibility criteria:

- Available to existing ASB home loan customers, including owner-occupiers and investors.
- Only available for eligible improvements and purchases.
- Restricted to a maximum LVR of 80% for owner-occupied properties or 65% for non-owner-occupied properties.
- ASB's lending criteria and terms apply.

Exclusions:

- Not available for the restructure of existing ASB lending.
- Not available for improvements or purchases made prior to 7 November 2022.
- Not available on construction loans or business loans.
- No additional discounts apply to the ASB Better Homes Top Up fixed rate.

How it works:

Prior to final approval we will require the following which must be satisfactory to ASB in all respects:

- Borrowers need to obtain any local council consents required.
- The maximum loan term is 30 years, subject to normal lending criteria.
- A maximum amount of \$80,000 per property owning entity (sole private person, joint private persons, trust or company).
- If borrowers repay all or part of an existing ASB Better Homes Top Up, they may be eligible to apply for additional ASB Better Homes Top-Ups, as long as the outstanding total balance of existing and new loans does not exceed \$80,000.
- Standard fixed rate terms apply during the fixed rate period, including options for increased repayments and Early Repayment Adjustments (ERA).
- At the end of the 3 year fixed rate period our Housing Variable (floating) Rate will apply, alternatively customers can re-fix their ASB home loan rate online via ASB Home Central or through the ASB Mobile App.
- The Home Loan Top Up Fee (\$99) and other standard fees apply and can be capitalised.
- The ASB Better Homes Top Up rate and offer is available for a limited time only and may change.
- There is no restriction on interest only for ASB Better Homes Top Ups, standard interest-only criteria apply.

3.8

Customer situations (continued)



3.8.5 Home loan top ups (continued)

Eligible improvements and purchases:

Category	Eligibility
Electric or Hybrid car, or EV charger	<ul style="list-style-type: none">• Electric or hybrid vehicles purchased from a registered motor vehicle trader• Portable or wall-mounted electric vehicle charging units
Insulating your home	<ul style="list-style-type: none">• Professionally installed underfloor, ceiling or wall insulation• Double or triple glazed windows• Secondary glazing upgrades
Heat and cool efficiently	<ul style="list-style-type: none">• A heat pump system which is installed in your home• A wood burner or wood pellet burner which meets any specific local council regulations
Reduce moisture	<ul style="list-style-type: none">• A bathroom extractor fan or kitchen rangehood which sends air to the outside, not inside or the ceiling space• A professionally installed ground moisture barrier• Positive pressure ventilation systems• Balanced pressure ventilation systems
Use hot water efficiently	<ul style="list-style-type: none">• Heat pump water heaters• Solar hot water systems• Wetbacks
Solar	<ul style="list-style-type: none">• Solar panels, batteries and inverters installed by a member of Sustainable Electricity Association of New Zealand (SEANZ)• Solar hot water systems





3.8.6 Natural disaster

Lending on properties damaged as a result of natural disaster (for example, flooding, landslips, earthquakes etc).

When a natural disaster occurs, a customer may seek additional home lending to meet their immediate needs.

If an application includes a new or existing property that has outstanding damage, advisers are required to disclose the extent of the damage and capture this in the application notes. Property damage may be identified by:

- Asking the client directly
- Enquiries into customer's borrowing requirements.
- Registered valuations.
- Sale and Purchase agreements.
- Further specific enquiries where a property is in an area impacted by a recent natural disaster.

Where there is damage, please capture the following details into the Diary Note:

- Describe the extent of the damage to the dwelling and/or land.
- Is the property white/yellow/red stickered?
- Has the property been given a risk categorisation? If yes, what is the categorisation?
 - If your client is unsure, ask them to contact their local council to obtain the category.
- Has an insurance claim been lodged?
 - If yes, has it been paid?
 - If no, is home insurance in place?
- Has the cost to remediate the damage been assessed?
 - If yes, what is the cost?
 - If no, what is the estimated cost (e.g. quote or customer estimate)?
- Has the customer had an engineering report produced for the property? If yes what are the details of the report?

3.8.7 Restructures no new money

What you need to know

Customers will occasionally need to restructure their lending within their existing limits. These may be processed as Restructure No New Money (RNNM).

This process doesn't replace other maintenance functions you might ask us to undertake.

It is important to understand why customers need to restructure their lending as customers might be facing a [hardship situation](#) and it is ASB's responsibility to understand what their goals and objectives are.

Remember that if customers are in financial hardship, we have a range of options to help them. Refer to the financial assistance section of this guide for more information.

You must provide us with the applicant's goals and objectives and sufficient information to ensure that we can determine whether the new product (if relevant) is likely to meet the borrower's objectives and needs.

You must comply with the [suitability](#) requirements to the extent these are relevant to the restructure that is being performed.

E.g. Customers might want to combine individual loans and extend the term out. You should understand the borrower's objectives and needs before you do this - it could be that there is a hidden hardship trigger event that we wouldn't know of without asking and understanding the customer's unique situation.

There are typically two types of Restructure No New Money:

- Type 1 - these don't typically increase ASB's risk
- Type 2 - these typically increase ASB's risk.

Type 1 - Doesn't increase risk

- These are situations where the amount of overall home lending and risk is not increased. Sometimes these restructures within existing limits are performed in conjunction with other loan maintenance or restructures.
- These do not require updated income, expenses or verification of expenses from the applicants.
- If the age of the oldest customer will exceed 70 when the loan is likely to be paid off; you will need to ask the customer what their [exit strategy](#) is and provide this to us.

3.8

Customer situations (continued)



3.8.7 Restructures no new money (continued)

Examples of this are:

Example of maintenance/activity	More information	What you must do
Combining existing term loans.	New loan is kept on the same term as the longest existing loan term. This effectively increases the overall term of the lending.	Follow above process. You must ensure you are not extending the lending beyond 30 years (or 30 years for non-owner-occupied lending) from the date of the original lending.
Combining existing term loans (extending terms).	The newly created loan term is longer than both of the previous loan terms. This effectively increases the overall term of the lending.	Follow above process. You must ensure you are not extending the lending beyond 30 years (or 30 years for non-owner-occupied lending) from the date of the original lending.
Combine multiple loans that have different terms and align the newly created loan with what was the previously the longest loan term.	This effectively increases the overall term of the lending.	Follow above process. You must ensure you are not extending the lending beyond 30 years (or 30 years for non-owner-occupied lending) from the date of the original lending.
Combine several table loans that have the same term into one loan with the same term.	The effectively keeps the overall term of the lending the same.	Follow above process.
Combining existing Orbit facilities into 1 facility.		Follow above process.
Term Loan being split or being changed to Orbit Fasttrack while maintaining the same or shorter loan term.	This effectively reduces the overall term of the lending.	Follow above process.
Split existing loan into several loans with same term (and IO term as existing loan if relevant).	This effectively keeps the overall term of the lending the same.	Follow above process.
Orbit (Revolving Credit) being split into or changed to another term loan.	This does not include cases where the limit of the Orbit Home Loan is being increased. A full application is required if the Orbit limit is being increased. Note: A full application is not required for Revolving Credit Products with a term e.g. Orbit FastTrack.	Follow above process. You must ensure you are not extending the lending beyond 30 years from the date of the original lending.
Reduce loan term.	It is uncommon for customers to reduce their loan term, however, is allowable.	Follow above process.
Construction loan with progress payments ending interest only period early.		Refer to section, 3.6 Construction Lending to understand the implications for the customer

3.8

Customer situations (continued)



3.8.7 Restructures no new money (continued)

Type 2 - Increases Risk

- These are situations where the amount of overall home lending and ASB's risk is increased.
- Sometimes these restructures within existing limits are performed in conjunction with other loan maintenance or restructures.
- **These effectively require a full application (as you would a new home loan).**
 - **This means that a full (affordability) income/expense assessment must be done as we are entering into a new or increased risk credit contract.**
 - All income/expense/fixed financial commitments verification/evidence requirements must be met as per Policy.
 - Please ensure you capture the reasons for the application E.g. 'Customer is moving their lending from their family trust to their personal names'.

Examples of these might include

Example of maintenance/activity	More information	What you must do
Changing a term loan to an Orbit or increasing an Orbit limit as part of a restructure.	Orbit home loans are assessed differently to term loans from an affordability and suitability perspective. Note: This does not apply to Revolving Credit facilities with a term e.g. Orbit Fast Track.	Treat as you would a new home loan - lending subject to full suitability / affordability and verification requirements.
Change of borrower - Company TO Personal Names - no change to 'humans' involved.		
Change of borrower - Trust TO Personal Names - no change to 'humans' involved		
Change of borrower - Personal Names TO company - no change to 'humans' involved		
Change of borrower - Personal Names TO trust - no change to 'humans' involved		



3.8

Customer situations (continued)



3.8.8 Bridging lending - Open and Closed

If your client is buying and selling at the same time - and is an ASB customer - they may be able to keep their existing home loan and use their new home as security under a new mortgage. If they decide to buy their new house before they've sold their current one OR where settlement dates are not aligned, a bridging loan might be an option.

Maximum terms	Conditions
Six months	<ol style="list-style-type: none">1. That borrowers are able to service expected residual debt following sale of existing property and confirm servicing using the ASB UMI calculator.2. Open bridging is not available for stand-alone Non-Owner Occupied security.3. The application must meet ASB maximum LVR restrictions.

Factors to discuss with your client and ensure they are comfortable with:

- The entire bridging loan must be repaid from the proceeds of sale of their property.
- Your client will need to be able to manage payments on two loans.
- If their current home sells for less than they expected, they may end up with more debt than they'd planned for.

Additional guidance on bridging lending:

Open bridging:

- Rental income for the property being sold can't be relied upon for servicing the debt.
- You'll need to confirm the existing property has been listed for sale and provide evidence of the listing agreement.
- Please provide evidence that borrowers have available funds to meet six months of interest costs (e.g. evidence of own funds or parental support).
- Upon settlement of the bridging loan, your client will need to repay the full amount stated in the bridging loan application. If your client would like to repay less than the amount detailed in the application, you'll need to submit a new loan application for the additional amount. The standard loan application process needs to be followed.
- Your client will pay interest only on their bridging loan.

Closed bridging:

- If fixed loans are being repaid when the existing property sells, you'll need to ensure your client knows there could be an Early Repayment Adjustment (ERA).
- Please provide evidence that the contract for the existing property is unconditional.
- No repayments can be made until the existing property has settled.

3.8.9 Requirements for trusts

Below is a breakdown of our home lending criteria for trusts:

- All trustees are to be jointly and severally liable.
- The liability of professional trustees will be limited to the assets of the trust except where there is a loss of indemnity from the trust.
- Any trustee who is also a beneficiary of the trust can't be classified as an independent trustee.
- For onboarding purposes, we will require either an original copy or a "Certified" copy of the trust deed.



3.8

Customer situations (continued)



3.8.10 Requirements for companies

Below is a breakdown of our home lending criteria for companies:

- All directors/shareholders are to be jointly and severally liable by way of a guarantee.
- LAQC (Loss Attributing Qualifying Companies) and LTC (Look Through Companies) are acceptable.
- Trading companies are not acceptable.

3.8.11 Non residents of NZ

We're able to lend to customers who don't hold New Zealand citizenship or permanent residency based on the following criteria:

If your client has a **NZ Resident Visa**:

- Overseas income can't be used.
- A maximum of 90% can be loaned for an owner occupied-property. 65% can be loaned for a maximum of one non-owner-occupied property (in total whether the property is with ASB or not).
- Higher LVR's aren't available under RBNZ investor speed limit exemptions.
- We'll need your client to meet an ASB representative in person at an ASB branch to confirm loan approval, and they will need to provide original documentation (most recent payslips, last 3 months bank statements and most recent deposit confirmation if applicable). If your client is an existing ASB customer who is wanting to top up their loan, we may be able to waive this requirement. We will need to see evidence of deposits of overseas income into an ASB bank account for a minimum of 3 months.
- We require all customers to be compliant with the Overseas Investment Act 2005. Customers should seek [independent legal advice](#) if they have concerns.
- If your customer is new to ASB and is overseas, they will need to be able to complete AML (anti-money laundering) verification.
- Any trustee who is also a beneficiary of the trust can't be classified as an independent trustee.
- You'll need to provide us with a "Certified" copy of the trust deed.

If your client has a **NZ Work Visa** with a minimum of 12 months remaining:

- Overseas income can't be used.
- A maximum LVR of 70% applies for owner-occupied property. We're not able to lend against non-owner-occupied property.
- Your client needs to intend to live in New Zealand and gain permanent residency.
- Your client needs to be currently living in New Zealand at a permanent address.

We're not able to lend to customers who do not hold New Zealand citizenship/permanent residency and do not meet the requirements above.

3.8.12 Out of area lending

Any security that is located outside the area of an ASB branch will be assessed on a case by case basis.



3.8

Customer situations (continued)



3.8.13 Financial Assistance

We know how hard it can be to manage money when life changes. ASB are committed to helping customers in need. We have a range of support options to help your clients through periods of financial stress. Contact us as soon as you know your customers might be facing financial hardship so we can help.

Mortgage Repayment Deferral

With a mortgage repayment deferral, regular repayments to a loan are stopped for a period of time. Your client can pause repayments for up to three months. Provision of a mortgage repayment deferral is subject to meeting specific lending criteria and terms and conditions.

It's important to note:

- Interest will still be charged and added to the loan, so the loan balance will increase and your client will pay more interest overall.
- After the mortgage repayment deferral ends, your client's repayments will likely be higher unless the loan term is extended.



Thank you.

Your partnership with us helps Kiwis realise the New Zealand dream of owning their own home or investment property. You're a vital part of our team and we value the work you're doing to help New Zealanders find a home loan that works for them.

We hope this document has helped you to understand our products and loan criteria. If you haven't been able to find the information you need - or you have an out of the box scenario you'd like to run past us, please [contact us](#).



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