

Lenders Mortgage Insurance Serviceability Calculator user guide Australia

Effective as at 27 March 2017





ORIGINATIONS
SCENARIO
CENTRE
1300 661 118

At Genworth we pride ourselves on our commitment to our lender and broker customers, ensuring each interaction is a positive experience.

Our Originations Scenario Centre can assist with all of your enquiries regarding an LMI proposal. If you would like to discuss a new proposal, a variation to an existing policy, or if you have an enquiry about a premium credit, please contact the Originations Scenario Centre.

Phone: 1300 661 118

Email: <mailto:underwritingsupport@genworth.com>

Hours: 8.30am to 6.00pm, Monday to Friday (AEST)

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1 Introduction

Who is Genworth?

Genworth Financial Mortgage Insurance Pty Limited (Genworth) is a leading provider of Lenders Mortgage Insurance (LMI) in Australia. LMI has been an important part of the Australian residential mortgage lending market since it was introduced by the Australian Government in 1965.

LMI is one way of getting into homeownership without having the 20% deposit which is typically required by most banks and financial institutions. LMI facilitates residential mortgage lending by transferring risk from Lenders to LMI providers, predominantly for high loan-to-value ratio residential mortgage loans.

Purpose of this Serviceability Calculator user guide

The Genworth online Serviceability Calculator has been developed to provide a web-based tool for you to assess whether your LMI proposal meets Genworth's serviceability guidelines.

This user guide will provide you with a high level overview of the functions of the new online Serviceability Calculator and an understanding of the data required to be able to determine an applicant's net disposable income.

It will be compared to the applicant's commitments to provide a Net Disposable Income ratio (NDI ratio).

Genworth reserves the right to change this user guide at any time without prior or subsequent notice.

Lenders responsibility

Use of the online Serviceability Calculator is subject to the terms of use of that calculator, available on Genworth's website. In particular, the Serviceability Calculator does not take the place of the Lender's own credit policy, prudent lending guidelines or the Lender's responsible lending obligations under the law.

Genworth is not liable for any direct or indirect loss for any reliance or purported reliance on these Guidelines, or arising out of the use of the online Serviceability Calculator, regardless of how that loss is caused (including negligence).

Originations Scenario Centre

If you would like to discuss an LMI proposal before submitting to Genworth, please call our Originations Scenario Centre on 1300 661 118.

Technical support

If you require technical support, please contact Genworth at infoau@genworth.com

2 Serviceability Calculator function

2.1 Enter all required data

- Enter the data into the online Serviceability Calculator. The Serviceability Calculator is intuitive and will hide fields and/or sections that you are not required to complete
- Fields marked with an asterisk * are mandatory
- If any mandatory fields are not completed, an error message will appear and the incomplete fields will be highlighted.

Please review your entries and fill out the mandatory fields. [close](#)

Revise the fields with red key outline

Loan amount* ?

Loan term (in months)* ?

2.1.1 Open and Close

- Certain sections of the online Serviceability Calculator can be opened and closed as required
 - To reveal sections, simply click the 'Open' button to the right of the bar
 - To collapse sections, simply click the 'Close' button to the right of the bar
 - Data entered will be retained when you close and reopen sections.

Loan details

Loan amount* ? Security value* ?

Loan term (in months)* ? Actual rate* ?

Repayment type Interest-only period (in years)

Applicant details

Number of individuals (maximum 6) Number of companies (maximum 1)

Applicant 1 *

Applicant 2 *

2.2 Calculate

- Once all of the required data has been entered into the Serviceability Calculator, click 'Calculate', located at the bottom of the calculator.

2.3 Simple results screen

- Once the user has clicked 'Calculate' they will be taken to the results screen
- The results screen provides users with a summary of the serviceability calculation results
- The results include:
 - Applicant summary
 - Genworth serviceability calculation results - based on the Genworth Assessment Rate
 - Actual rate serviceability calculation results - based on the lenders rate.
- Based on the data entered, the following will be calculated:
 - Net Disposable Income (NDI)
 - Genworth NDI ratio (Net Disposable Income to commitments)
 - Maximum loan amount.

Applicant summary

Loan amount: \$500,000.00	Total commitments: \$43,704.73
Loan term (in months): 360	HEM living costs: \$25,610.00
Total net income: \$132,596.00	

Genworth serviceability calculation

Genworth NDI ratio: 2.45:1 <i>NDI ratio must be at least 1.00:1</i>	Assessment rate: 7.75%
Net disposable income: \$106,986.00	Monthly repayment: \$3,582.06
Maximum loan amount: \$1,236,089.00	

Actual rate serviceability calculation

NDI ratio: 3.08:1	Actual interest rate: 5.50%
Maximum loan amount: \$1,559,646.00	Monthly repayment: \$2,838.95

Save

Restart

Go back

Download PDF

2.4 Restarting the Serviceability Calculator

- To clear all data and start a new calculation, click on the 'Restart' button located at the bottom of the calculator
- **Note:** For each new calculation, please restart the Serviceability Calculator. This will clear all previous data and ensure calculations are accurate.

Save

Restart

Go back

Download PDF

2.5 Saving a serviceability calculation

- To save a calculation that is in progress, simply click the 'Save' button
- Saving a new calculation will prompt the user to enter a file name that can be used to retrieve the calculation at a later time
- Users are also able to overwrite previously saved forms
- Clicking 'Save' at the results screen saves all the data entered from the form.

Save

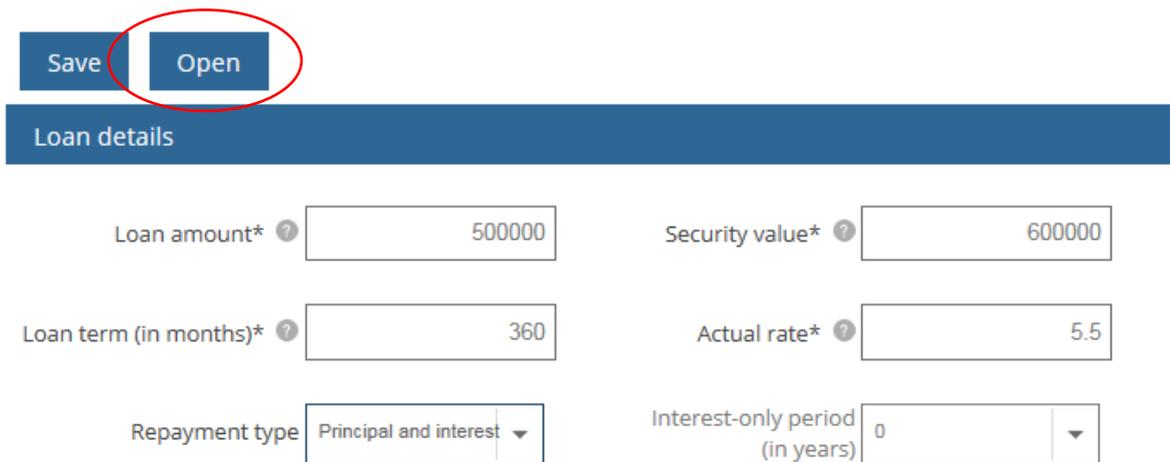
Restart

Go back

Download PDF

2.6 Opening previously saved calculation

- To open a previously saved calculation, click the 'Open' button located at the top and bottom of the calculator



The screenshot shows the top of the calculator interface. At the top, there are two buttons: 'Save' and 'Open'. The 'Open' button is circled in red. Below the buttons is a dark blue header bar with the text 'Loan details'. Underneath, there are several input fields: 'Loan amount*' with a value of 500000, 'Security value*' with a value of 600000, 'Loan term (in months)*' with a value of 360, 'Actual rate*' with a value of 5.5, 'Repayment type' set to 'Principal and interest', and 'Interest-only period (in years)' set to 0.

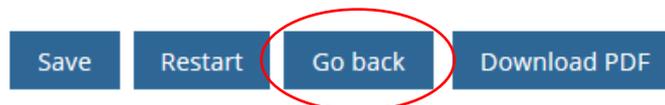
- This will open a box with all previously saved calculations. Select the saved file and click 'Open'.



The screenshot shows a dialog box with the text 'Please select from previously saved files.' and a 'close' link. Below the text, there is a list of saved files. The first file is 'John Smith 2017-02-27 13:12'. To the right of the file name are two buttons: 'Open' and 'Delete'. The 'Open' button is circled in red.

2.7 Editing a serviceability calculation

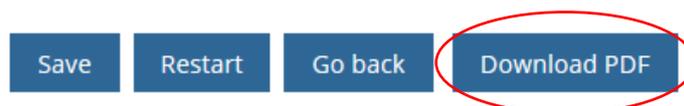
- If a user needs to make amendments to a calculation that is in progress, click the 'Go back' button located at the bottom of the calculator
- This will take the user back to the initial screen where they can amend the data that has been entered.



The screenshot shows the bottom of the calculator interface. There are four buttons: 'Save', 'Restart', 'Go back', and 'Download PDF'. The 'Go back' button is circled in red.

2.8 Download the results as a PDF

- To download the full serviceability calculation results, click on the 'Download PDF' button located at the bottom of the calculator on the results screen
- The PDF can be saved as a standard PDF
- The PDF will then need to be sent to Genworth along with all necessary documentation required for the LMI proposal.



The screenshot shows the bottom of the calculator interface. There are four buttons: 'Save', 'Restart', 'Go back', and 'Download PDF'. The 'Download PDF' button is circled in red.

3 Input field explanations and tips

Field name	Explanation
Actual annual living costs	<ul style="list-style-type: none"> Under NCCP guidelines, it is the responsibility of all lenders to accurately record the actual living expenses of all borrowers and these are to be provided to Genworth for comparison to the HEM living expenses, with the higher of the two used in the calculation of Net Disposable Income (NDI)
Actual interest rate	<ul style="list-style-type: none"> When submitting the LMI proposal, the serviceability calculation is based on Genworth's Assessment Rate or the actual lender interest rate plus a buffer of 2.25% (whichever is the highest)
Applicant name	<ul style="list-style-type: none"> Name of applicant for identification purposes only
Assessment rate	<ul style="list-style-type: none"> Genworth's official interest rate used to assess the serviceability of the loan application and used for automatic calculation of monthly loan repayments
Commitments	<ul style="list-style-type: none"> Supports up to eight commitments from all applicants, including any other mortgage repayments: <ul style="list-style-type: none"> Select the commitment type Enter the commitment amount - any joint commitments must be entered at 100% Select the frequency of the commitment
Company applicant	<ul style="list-style-type: none"> If the primary applicant is a company, select one (1) from the number of companies dropdown list. You are still required to fill out all borrower(s) and/or guarantor(s) information
Interest-only period (in years)	<ul style="list-style-type: none"> For loans with an interest-only period, you must select the number of years from the dropdown list The calculator will automatically adjust the repayments over a P & I period of the full loan term minus the interest-only period, ie full loan term 30 years (360 months) and an interest-only period of 5 years (60 months), the P & I repayment will be calculated over 25 years (300 months)
Joint with applicant	<ul style="list-style-type: none"> Only required when the marital status of the applicant is 'Couple' This is used to establish the relationship between the applicants in the loan application and assign living costs Please ensure you enter the correct applicant number to be linked as this will impact both the living costs and the NDI ratio
Limit/scheduled balance (plus redraw)	<ul style="list-style-type: none"> Borrowers existing approved loan limit (line of credit) or current loan balance plus any available redraw The calculator will use the higher of the declared repayment or the 30 year repayment based on the limit (including redraw) This field is compulsory for 'other mortgages' only
Loan amount	<ul style="list-style-type: none"> The amount of the loan being applied for in whole dollars only This is used for calculating the proposed monthly loan repayments at both Genworth's Assessment Rate and the lenders actual interest rate If you have previously arranged with Genworth to capitalise the premium and stamp duty, please ensure the loan amount entered includes all of the amounts to be capitalised
Loan term (in months)	<ul style="list-style-type: none"> Maximum loan term for Standard LMI and HomeBuyer Plus products is 480 months (40 years) Maximum loan term for all other LMI products is 360 months (30 years)
LVR (Loan to Value Ratio)	Calculated by dividing the loan amount by the lesser of the purchase price or the security valuation amount
Marital status	<ul style="list-style-type: none"> Current marital status of applicant(s): <ul style="list-style-type: none"> Single Couple: includes married or defacto where both parties are applying for the loan Sole borrower: includes married or defacto but only one party is applying for the loan
Maximum loan amount	<ul style="list-style-type: none"> Calculates the maximum loan amount based on both Genworth's Assessment Rate and the lenders actual interest rate. Takes into account all 'other' commitments

Net Disposable Income (NDI)	<ul style="list-style-type: none"> Calculates the net amount of income a borrower has available after payment of tax, existing commitments and family living expenses
NDI ratio	<ul style="list-style-type: none"> The Genworth NDI ratio must be at least 1:1, which means the net disposable income (after tax and assessed living costs) must be at least equal to total fixed commitments The Actual Rate NDI Ratio is a comparison against the current Genworth Assessment Rate
Non-taxable income calculation	<ul style="list-style-type: none"> The total annual amount of regular income that is not tax payable
Number of dependents	<ul style="list-style-type: none"> The number of dependents related to the applicant For couples, the total number of dependents must be entered under both applicants
PAYG	<ul style="list-style-type: none"> Select the base income type - gross is before tax and net is after tax Enter the amount of base income as per income documents Select the pay frequency of the base income as per income documents
Rental income calculation	<ul style="list-style-type: none"> Select rental type Enter rental amount as per rental statement Select frequency as per rental statement Enter ownership percentage of rental property Amount of investment loan: <ul style="list-style-type: none"> Total value of current or proposed residential investment loan Genworth will calculate the total residential investment loan interest to be added back to after-tax income, based on the total of investment loans held or to be held by the borrower
Repayment on proposed loan	<ul style="list-style-type: none"> Calculates the monthly repayment based on the loan amount and both Genworth's assessment rate and the lenders actual interest rate - added onto total commitments
Repayment type	<ul style="list-style-type: none"> This is the repayment type at the time of origination. If you select a repayment type of principal and interest, there is no requirement to enter an interest-only period
Residential postcode/suburb	<ul style="list-style-type: none"> Enter the postcode or suburb of the applicant's residential address Select the corresponding postcode/suburb from the drop down list
Security value	<ul style="list-style-type: none"> Value of the property on application, either the purchase price, estimated value or valuation amount
Self-employed / sole trader / partnership	<ul style="list-style-type: none"> Applicable to applicants who are self-employed, sole traders or partnerships only: <ul style="list-style-type: none"> Net profit/loss before tax (NPBT) for both current and previous financial years Interest earned corresponding to each financial year Other add backs corresponding to each financial year Depreciation corresponding to each financial year
Taxable business income	<ul style="list-style-type: none"> The gross acceptable business income from tax returns and/or business (non-company) profit & loss statements
Total credit card limits	<ul style="list-style-type: none"> Used for automatic calculation of possible maximum monthly repayment at 3% of the credit limit
Variable income calculation	<ul style="list-style-type: none"> Income that is taxable and not included as part of the base income Enter 100% of the amount as the calculator will automatically apply the correct discount