

Credit Assistance Step Three: Preliminary Assessment of Loan Suitability

This preliminary assessmentⁱ is made on _____ based on a client finance fact find made on _____ and client information verified on _____

Client's name _____ Adviser(s) _____

SUMMARY OF ENQUIRIES INTO MY CLIENT'S REQUIREMENTS AND OBJECTIVES

My client has stated that they wish to borrow for the following purpose:

My client is seeking a loan with the following features

Owner occupier loan	Interest only repayments ⁱⁱ	LMI Waiver
Investment property loan	Variable interest rate	Offset account
Construction loan	Fixed interest rate	LVR _____
Principal & interest repayments	Partially fixed interest rate	Other _____

Refinancing

My client is **not** refinancing from another lender

My client **is** refinancing from another lender. Refinancing supports my client's objectives as followsⁱⁱⁱ:

SUMMARY OF MY CLIENT'S FINANCIAL SITUATION

My client's net position, based on the income & expense information provided by my client, is:

Net monthly income ^{iv}	
Net monthly expenses	
Net monthly position ^v	

Recommended Credit Contract

	Loan 1	Loan 2	Loan 3
Lender			
Loan type			
Term			
Loan amount			
LVR			
Interest rate type			

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Estimated interest rate ^{vi}			
Repayment type			
Interest only period			
Repayment frequency			
Approx. repayments			
			Total repayments across all loans

I believe that the recommended credit contract meets my client's borrowing objectives and requirements as follows^{vii}:

My client does not foresee any significant changes to her/his personal or financial circumstances that could negatively impact their ability to meet repayments on this proposed loan

My client foresees the following changes to his/her personal circumstances that could negatively impact their ability to meet repayments on this proposed loan:

In the event of such changes in personal/financial circumstances, my client would implement the following strategies in order to meet loan repayments without experiencing financial hardship:

Based on the above calculations^{viii}, I believe:

The above loan(s) are *not unsuitable* for my client because:

The loans features support my client's borrowing objectives and requirements
My client will be able to meet repayment obligations and do so without financial hardship

The above loans are *unsuitable* for my client because:

The loans features do not support my client's borrowing objectives and requirements
My client will be not be able to meet repayment obligations and do so without experiencing financial hardship

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- i This Preliminary Assessment must be made within 90 days before the client has been provided credit assistance
- ii Document the explicit reasons for a client seeking interest only repayments (eg improved cashflow for the first year until partner returns from paternity leave)
- iii Include qualitative and quantitative information, including cost of refinancing. State whether the overall cost saving to the client override any loss of benefit OR if the new loan results in minimal costs savings but the new credit contract better meets the client's requirements and objectives eg the new loan offers features such as a redraw facility which client requires for future use"
- iv If Westpac's "Future Income" policy is being applied to this Preliminary Assessment, enter the verified "future income" here.
- v This is calculated on the data captured in Steps 1 and 2 of the credit assistance process. If the income and expenses declared in Step 1 are different to the income and expenses verified in Step 2, use the data verified in Step 2
- vi This is an estimated rate. The actual rate will be confirmed by the lender in the credit contract
- vii Identify the reasons why the loan meets the objectives of the client and how the features of the proposed loan have lead to the assessment that the loan(s) is not unsuitable. For example: "Fixing the interest rate provides my client with repayment stability which is important to her". "An interest only period of 2 years will improve cash flow while my client is on maternity leave" "A higher LVR will allow my client to purchase a house over an apartment. Capital growth is a very important part of my client's long-term wealth creation". This section must be clearly articulate how the recommended contract meets the client's needs and objectives
- viii This Preliminary Assessment has been based on my understanding that the client has made a comprehensive disclosure of his/her financial situation