

# Quick Guide Living Expenses



**Australian  
Military Bank**

Broker



open to all who serve and support

## Introduction

Living Expenses are a major part of the suitability and affordability assessment of any loan or credit application

## References

Refer to Credit Underwriting Standard

For all other enquires please contact your Broker Support Manager or email [brokers@australianmilitarybank.com.au](mailto:brokers@australianmilitarybank.com.au)

## Table of Contents

What are Living Expenses?

How do we assess living expenses?

FAQ's

## What are Living Expenses?

Living expenses are the ongoing discretionary household spending outside of liabilities and expenses within a members overall financial position. We categorise the living expenses monthly and to assist, break the final figure down into the following groups:

- Groceries
- Utilities, rates, strata etc
- Phone, Internet, streaming, pay tv
- Insurance & Health Costs
- Transport
- Education & childcare
- Entertainment & recreation
- Other Expenses – including clothes and personal care

## How do we assess living expenses?

We use *a few* methods to calculate the living expenses.

- The Household Expenditure Measure (HEM) is a measure that reflects a modest level of household expenditure for various types of families. It is a benchmark to which expenditures reported by loan applicants can be compared to assess whether the reported expenditures fall into the reasonable range of expenditures. It is not a replacement for information collected from applicants.
- Ask the applicant(s) to self-assess their living expenses on their loan or credit application form.
- Review any expense accounts statements in order to confirm the member's self-assessment.
- Either accept or adjust the applicant(s) stated expenses to match their bank account history.
- Take the higher of the member declared living expenses captured on the loan application form or the Lender or system assessed actual expenses to calculate the applicant(s) living expenses in servicing of the overall application.
- When assessing as an individual all joint fixed expenses must be included regardless of the ability to show sharing of costs as these costs would need to be paid by the individual should the partner not be able to meet the payments for any reason.

## FAQ's

### **Can I use HEM alone?**

No you cannot. Your assessed value should always be independent to HEM. Both the servicing calculator and our internal system DEMi read these values as different independent amounts.

### **What do I do if the members declared expenses are highly over estimated compared to their actual expenses that I have reviewed via the statements?**

You would have a conversation with the applicant(s) asking how they obtained their estimated expenses. Upon the response from the applicant(s) you would then assess if this is reasonable or not to reduce to the actual lender assessed amount. In the event you reduce the living expenses from the applicant(s) declared amount this should be clearly documented within your assessment notes.