

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS

Westpac

WBC97QW: What regulatory changes would be necessary to enable banks to lend to individuals with SMSFs, who are in the retirement phase, to allow them to seek credit for the purchase of assets (such as homes) or to address short-term cash flow issues?

Answer: Westpac can lend to individual customers today who are drawing a pension from a SMSF as all or part-income to be used in a serviceability assessment for a purchase or equity release on a property. The SMSF income stream can be used to support repayments until the point at which the customer plans to initiate the exit strategy. The value of funds in the SMSF (and other income sources) need to be sufficient to cover loan repayments for the period up until the reasonable exit strategy the customer provided at origination (i.e. through the sale of the property and downsizing).