



# HEM WHAT IS IT?

## WHY DOES IT MATTER FOR YOUR HOME LOAN?

Picture this...

Your eyes are on the perfect home, your deposit is ready and now you just need the bank's stamp of approval.

But wait, there's this thing called the Household Expenditure Measure (HEM) lurking in the background.

### WHAT IS IT, AND HOW MIGHT IT RAIN ON YOUR HOMEOWNERSHIP PARADE?

#### HEM - It's similar to your financial yardstick

Think of HEM as a financial measuring stick for different types of households. Developed by the Melbourne Institute, it uses Australian Bureau of Statistics data to estimate the average amount of money spent on basic living expenses (but excluding rent/mortgage).

Lenders compare this benchmark to your actual spending habits to gauge if you can handle the loan you're seeking.

#### HEM isn't a 'ONE SIZE FITS ALL SOLUTION'

HEM is an average, and your spending could easily fall above or below it.

Don't get stressed though - lenders don't rely solely on HEM.

They'll dig into your bank statements, compare the data and usually use the higher figure for their calculations. It's

all about ensuring you're not financially stretched too thin after acquiring that mortgage.

### TOP HEM TIPS TO BOOST YOUR BORROWING POWER

Want to make HEM your friend?

Here are the steps a savvy home loan applicant should take:

- **Know your spending**  
Before applying, review your bank statements. Note any big, one off expenses (emergency dental work etc). By explaining these, you avoid artificially inflating your typical monthly costs.
- **It's for your protection**  
It might feel intrusive, but this deep dive into your spending is done for everyone. Lenders want to safeguard you from taking on a loan you can't comfortably repay.
- **Get expert help**  
As your home loan specialist we know exactly what to highlight in your statements to make the HEM process smoother. We are your allies in securing that loan.



## THE FINE PRINT

It's important to understand HEM's limitations:

- **No fancy items**  
HEM focuses on absolute and discretionary basics (food, utilities, some entertainment). It doesn't include private school fees, life insurance, super contributions, owners' corp fees etc.
- **Not all expenses count**  
Unlike living expenses calculators, HEM is purely a statistical benchmark for lenders, not a personal budget tool.

## Your financial story

HEM is just one piece of your home loan puzzle.

Lenders also look at income, debt, credit history and many other factors.

Your financial habits matter.

- Live within your means
- Save diligently
- Tackle existing debt

***That's what makes the lenders say "yes" more often.***