



## **SEQUAL Guideline Calculator Parameters August 2007**

### **1. Background**

The SEQUAL Code of Conduct requires all Members to make available to all borrowers and their advisers a calculation tool illustrating the potential effects of future house values, interest rates and the capitalization of interest on the loan.

While this is a useful exercise, it is considered dangerous if the allowable parameters of such calculators allow borrowers and their advisers to produce numbers that bear no relation to reality. For this reason, SEQUAL has developed this Guideline to guide Members in their development of calculators and in the use of illustrations in marketing material.

This Guideline sets out the allowable default settings for such calculators. The settings should also be followed for illustrations in marketing materials.

This Guideline is considered mandatory for all SEQUAL Members as part of their compliance with the SEQUAL Code of Conduct, and is deemed for this purpose to be part of that Code of Conduct.

### **2. Calculator Requirements**

The following default parameters are specified:

- The house price growth must not be higher than 4%
- The interest rate illustrated should be set as the current rate for the product where possible, or else at a rate not lower than the current product rate
- The period illustrated must be for at least life expectancy plus 5 years, with a minimum period of 10 years
- Where input of fields is allowed, the allowable variable fields must be realistic taking into account past and present economic conditions

These requirements would apply, where applicable, both to interactive calculators and to any illustrations published in any marketing material produced by the lender.

The rates stated above will be reviewed at least annually and revised as required.

### **3. Date of Operation**

This Guideline comes into operation from 1 August 2007.

**Final – July 2007**