

## What is the Household Expenditure Measure?

[1]



Recent changes to the Household Expenditure Measure (HEM) have brought the topic back to the fore. In a nutshell HEM is used to assess how much you and your family spend every month to run your household.

Lenders look at income and expenditure to assess whether you are eligible for a home loan. On the expenditure side of the balance sheet HEM comes into play.

### **Household Expenditure Measure**

Below is a list of what is used to calculate the HEM. You may spend less than the HEM value but generally the number stands. Also taken into account are:

- The city/state in which the borrower lives – e.g. – Sydney & Melbourne are considered to have higher living expenses compared to the other cities around Australia.
- Household type – single, couple, family etc.
- The number of dependent children;
- Lifestyle expenses based on overall spending which is categorised into:
  - a) Absolute basics – food, utilities, transport, communication etc.
  - b) Discretionary basics – take-away food, restaurants, alcohol, entertainment etc.
  - c) Discretionary non-basics – overseas holiday, house cleaner, luxury items etc.

HEM is provided by <https://melbourneinstitute.unimelb.edu.au> [2]

## Living Expenses

Also the lender will ask you for a list of regular expenditure to assist in assessing your application. Some common living expenses you may be asked to provide an estimate of in your home loan application including:

- Groceries
- Transport
- Childcare
- Entertainment and recreation
- Utilities
- Education
- Clothing and personal care
- Medical, health and fitness
- Insurance
- Children and pets (childcare, sports, tuition, pet expenses)
- Communication (internet, phone bill)
- Any other regular outgoing expenses

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- [Darwin Home Loan](#) [4]
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**Source URL:** <https://arafin.com.au/what-household-expenditure-measure>

### Links

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[2] <https://melbourneinstitute.unimelb.edu.au>

[3] <https://arafin.com.au/mortgage-calculator>

[4] <https://arafin.com.au/tags/darwin-home-loan>

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