7 Tips For Mortgage Success

Typically a new home means a new mortgage and it's important to consider these steps in the correct order.

Before rushing out and falling in love with your next dream home ensure that you are in the correct financial position to turn that dream into a reality. Accordingly it is important to understand your current financial position and your borrowing capacity with a loan application.

To help set you up for mortgage application success, here are 7 tips you need to consider:

1. Credit Report

Your credit report will include a credit score or rating which is based on personal and financial information about you including:

- the number of credit applications you have made (the less the better!)
- the amount of money you have borrowed
- unpaid or overdue loans or credit

A low score could affect your ability to get a loan.

Don't have a good credit rating? Don't worry, it is possible to improve. Ask us how!

You can access your credit file for FREE. A comprehensive credit file can help us understand the possibility of a successful application.

2. Income

This is an obvious but especially important one. Assessing an applicant's borrowing power will depend a lot on their income. A borrower's capacity to afford the mortgage repayments and sustain day to day expenses is crucial. Be sure to have at least 3 payslips ready for the application.

3. Cost of Living

Post Banking Royal Commission, the determination of your cost of living is now determined having regard to your actual costs rather than a standardisation. Lenders are therefore scrutinising the cost of living and expenses in much more detail than ever before. Applicants must be far more aware of their necessary and discretionary spending.

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4. Debt to Income Ratio

A debt to income ratio is the percentage of a borrower's gross income that goes towards repaying outstanding loans. It also assists lenders to determine what mortgage payments you could afford to repay.

5. Type of Employment

Are you PAYG or self-employed? For many of us, obtaining employment records is easy with payslips. However for the self-employed, providing business financial statements is a little more detailed, but not impossible.

6. Age

No one wants to be discriminated against, but the reality is the older you are, the more likely you may need to have a mortgage 'exit strategy'. Since home loans often have 25 to 30 year loans terms and the average age of retirement in Australia is 63 years1, lenders are generally more cautious with borrowers over the age of 40. Why? Because they may need a plan that shows how they intend to pay off their mortgage before or after retirement.

7. Property Type, Size and Location

Before you go house hunting, contact us first. The type, size and location of a property can at times have an impact on your ability to obtain finance. Some lenders have restrictions on the properties that they are willing to finance and these characteristics can include the property type (eg unit), size and location. It is best to check with us before taking any action. For example, some inner-city studio apartments might seem affordable, but finding finance could be difficult unless you have a large deposit.

We look forward to walking you through the home loan application process to find the most appropriate loan having regard to your individual circumstances when it comes time to apply.

1 www.bt.com.au/personal/your-finances/retirement/retirement-age.html

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