



**Investors Choice
Mortgages**

Improving your borrowing capacity - a handy checklist

- Reduce your credit card limit. As a rule of thumb, every \$5,000 reduction in credit limit will increase the amount you can borrow by \$20,000.
- Get a copy of your credit history, and resolve any 'blemishes' if you can. A marked credit history will severely limit your borrowing options. www.mycreditfile.com.au
- Reduce your bank overdraft limit. If you don't need it get rid of it
- Get rid of non-bank 'credit' cards such department store cards and pay off any personal loans, hire purchase or any debt that reduces your disposable income (remember to attack the debt with highest interest rate first).
NB: This may impact the amount you have available to put towards your deposit so make sure you weigh up the advantages of a reduce deposit vs reducing your bad debt
- If you're renting, make sure the lease is in the name of all tenants not just your own. Otherwise a lender may consider you as liable for the whole rent payment which will impact your expenses.
- Banks won't normally take bonuses and overtime into account as regular income, unless a consistent amount over 2 years can be proven through group certificates. When looking at your borrowing capacity use your base salary.
- For couples and families where only one partner works full-time, it is important to remember that every additional \$1 of annual income will allow you to borrow more. Even part-time employment, government family allowance etc can dramatically increase your borrowing capacity, but you will have to provide at least 3 payslips or 3 months of income proof. For those with less than 20% deposit, lenders may require proof of more than 6 months employment.
- Employment service. If you are considering a new job and you do plan on buying a property within the next 6 –12 months, remember, especially for those eligible for the First Home Buyers Grant, lenders like to see stable employment. If borrowing with another person the lender may only include a small amount of your income ie the equivalent of minimum wage if you have less than 6 months or for some lenders 12 months employment.

If you would like to get an assessment of your Borrowing Capacity please contact Investors Choice on 1800 464 810.

Disclaimer:-The information, statements and opinions expressed in this document are only intended as a guide to some of the important considerations when looking at borrowing capacity. Although we believe that the statements are correct, you should seek independent advice regarding your own specific situation. Neither the publisher nor any people or organisations involved in the preparation of this material give any guarantees about its content or accept any liability for any loss, damage or other consequences that may arise as a result of any person acting on or using the information and opinions contained in this checklist.