



 **WESTLEND**
MORTGAGE BROKERS

3 MUST DO'S FOR GETTING THAT FIRST HOME LOAN

The home loan arena can be very complicated and frustrating for someone who is trying to enter the home market. Different lenders have different risk appetites and therefore will have differing policies around the areas of assessment. Which can impact your borrowing substantially. Gaining clarity around three key areas will get you in the right position to begin the home loan process earlier.



CHARACTER

The first thing we are going to look at is Character.

CREDIT

Quite simply Lenders want to lend to safe clients who have developed a good credit pattern. For instance It's ok to have a credit card , but it must have no arrears, late payments or over credit limits for at least 6 months, even better if the credit card has a very low balance.

Regular overdues and over credit limits show lack of discipline and will not gain positive results so make sure all your credit is well maintained.

A good place to start is to get a Credit report.You can Order a free personal credit report from Equifax before you apply for a loan.

<https://www.equifax.com.au/personal/>

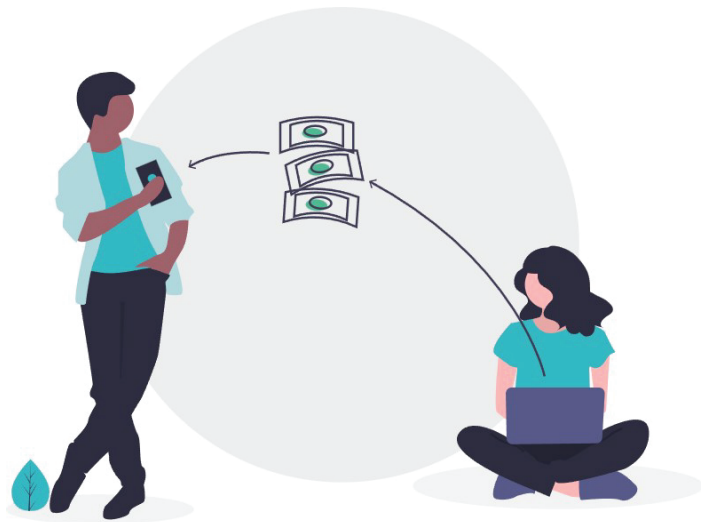
Forward this to your broker. This will give you a great snap shot of your credit Character. Your personal CR report will list the number of enquires you have made for credit cards or personal loans and even home loans over a number of years, so be careful not to apply for more than 2-3 credit cards or loans every 2-3 years or you may present to the lender as having financial stress.

SAVINGS

The other area of good character is savings and we'll look at this a little more closely a little later. A good saving habit is important to lenders assessment and at least 6- 12 months of savings history paints a good picture of financial discipline for your potential lender.

RENT

If you find it near impossible to save then lenders will look at your rental ledger to see your discipline, so make sure your rental ledger has no arrears or late payments during this period because it too can be important evidence to show credit character.



CAPACITY

The second area that insures you get that yes is your borrowing capacity. Many applicants are not aware that borrowing capacity is made up of a number of criteria.

INCOME

Firstly, your income will determine a base borrowing amount. This is dependent on whether it is PAYG full time/ part time or whether it is casual income, whether you are a sole trader or own a company/ partnership, single or dual applicant etc.

LIABILITIES

Add to this your expenses and liabilities which are generally broken down into two categories. Firstly, Household expenses which include things like utilities, motor vehicle expenses and groceries etc.

Then there are your financial liabilities like personal loans, car loans and credit cards. You may lose substantial borrowing capacity if you have a car loan and numerous credit cards, so getting into a position where you have very few or no financial liabilities will allow you to borrow the maximum amount.

As an example, a car loan of \$800 per month can lose you 50-80K in borrowing.

If you want to get an accurate idea of your borrowing capacity jump on to one of our calculators at Westlend.com.au or fill in the information on our online form and we can give you an accurate maximum borrowing immediately.

If you're not quite ready to see a lender, your broker can also help you plan next steps to get into the right financial position so that you get your maximum loan.

POLICY

If you are unsure just what your borrowing capacity is then see a mortgage broker first. Going into one lender may disadvantage you from getting the loan you require because different lenders have different borrowing criteria.

As an example one lender will not accept tax free benefits and will factor them in as gross amounts which will reduce your borrowing capacity. Other lenders will shave rental income by 40% whereas others only by 30%. Some lenders have a cap on non-taxed allowances. Some accept fully maintained company vehicles etc. Your mortgage broker will know which lender will best suit your needs and objectives and can align them with the right lenders.

Your capacity to borrow will always be impacted by a number of factors so make sure you prepare well.

CASH

The amount of cash you have is the third piece of the puzzle and the area of how much cash you save is just as much about risk to the lender as it is a statement of your character.

LVR AND LMI

Every lender has a risk appetite around what percentage of debt they will lend against the property you want to buy. This is called LVR (Loan to value ratio). Most lenders will maximise borrowing to 95% however any loan borrowing over 80% will incur a Lenders Mortgage Insurance (LMI) which will have to come out of the 95%.

As a guide therefore, you will only be able to borrow approximately 92.5% of the purchase price (The LMI is about 2.5%) .

when you add to this all your associated costs like stamp duty and legal fees etc and you will be able to calculate how much cash you need to bridge the gap.



FIRST HOME OWNERS

These days a number of first home owners will have assistance from parents, however Loans over 80% will need to evidence a strong saving pattern of at least 5% genuine savings or an impeccable rental ledger to coincide with minimal savings.

Together with this cash, there are also some government incentives that help boost the cash reserves for new buyers. If you're buying an established home then you will be stamp duty exempt. If you're building a new home you can gain another 10K cash for the construction portion.

Another great option to consider on a case by case basis is a family pledge, where the new home buyer uses extra equity provided by parents to increase the overall security base so they can essentially borrow up to 100% plus costs. It's a great option for instance if you have minimal savings that you'd like to put towards home improvements before you move into an established place.

Email us at loans@westlend.com.au with your desired purchase price, which state you would like to purchase in and whether you are a first home owner and we will tell you the minimum cash you need to provide to get in.



MORTGAGE BROKERS

Overall, again, engaging with a good mortgage broker makes great sense because firstly they are not representing just one lender and therefore just one set of criteria.

They represent you and your needs and objectives, so you are the centre of the conversation and your best interests are front of mind. Secondly they are remunerated by the lender that you will finally choose so that you are not required to pay for any of the initial servicing and ground work they will do for you.

If you're looking for a step by step approach to buying your first home, then the following may be a good guideline:

1. Save at least 5% of the purchase price.
2. Seek out a mortgage broker, preferably one that has been recommended by a friend. They will go through preliminary options to understand your timing. They will look at low deposit options for you as a first home buyer, Government incentives and lender policies. They will give you a borrowing amount and a purchase price.
3. Ask your broker to submit a pre-approval. This confirms the broker calculations and gives you the green light to start looking.

Happy house searching and please don't hesitate to touch base with the Westlend team if you have any other questions.

**BOOK IN A 30 MIN ZOOM MEETING
WITH A WESTLEND BROKER**

AND YOU'LL RECEIVE

\$500

TOWARDS YOUR APPLICATION FEES

(conditions apply, payable at settlement)

**THIS IS A ONE TIME OFFER
IF YOU BOOK IN**

TODAY