

7 steps to a hassle-free loan application



There's nothing more frustrating than having a loan application denied or delayed because of a needless oversight. Our finance experts reveal seven simple things you can do to greatly improve your chances of success:

1. Keep your Credit Records in order

Having unpaid defaults no matter how small can cause your loan to be declined. Something as simple as an unpaid Telco bill for \$100 due to a dispute is viewed negatively by a Bank. So either pay the default or make sure it is resolved and get the party that lodged the default to remove it. You can order your full credit file online for less than \$40, so that there are no surprises.

Pay your bills and loans on time to ensure a good credit rating.

2. Too many credit cards affect your borrowing capacity

An inquiry appears on your credit file, for all Banks to see, each time you apply for a credit or store card. The Banks take the limit of the cards into account even if you owe nothing on them. If you have say \$20,000 in credit cards, then your borrowing will be reduced by \$80,000 to \$100,000.

So reduce your credit card limits to increase your borrowing capacity.

3. Make sure you have stable employment

Continuity of employment and how long you have been with your current employer is taken into account when assessing security of income. If you have had more than one job in the last 12 months then your loan could be declined, especially if it is in a different industry. Many people change jobs and then apply for finance and wonder why they are having difficulties, as normally a probationary period will apply for the first 3 to 6 months.

If you have recently changed jobs, obtain a letter from your employer confirming that you have completed your probation.

4. Demonstrate your savings history

Banks will check accounts and other records for evidence of borrowers putting money aside, as this validates a borrower's ability to make repayments. **You should always keep at least the last 6 months statements on hand.** This is especially critical for first home buyers who are just starting their property journey and are often borrowing greater than 80% of the value of the property.

5. Keep all your records in order

Far too often clients need to request statements from Banks when refinancing loans or agent statements for rental properties as they don't file them when received. **You should keep all bank and agent rental statements for at least 6 months, and salary slips for 3 months.** When applying for finance you will always be asked to provide certified copies of ID, so **ensure both your Drivers Licence and passport are current** (your Drivers Licence should also have your current address listed). If you are self-employed then you should keep the last 2 years Tax Returns and ATO Notices in a safe place.

6. Disclose all your debts

Non-disclosure is viewed very seriously by the Banks and can often lead to a loan being declined. Clients often have credit cards that they never use and so forget to mention these, however they will show up on your credit file.

Let the Banks know which cards you do have and if needed close the accounts you no longer require and provide closure letters.

7. Use an experienced Mortgage Broker

Banks continually change their policies and documentation requirements. It is impossible for a borrower to keep up to date. A good Mortgage Broker will discuss your goals and recommend a loan that's right for you. They will save you time and give you choice. Not always the cheapest loans are the best.

A good Mortgage Broker will have established relationships and contacts with the Banks and as a result can negotiate on your behalf and often get a bigger discount on your home loan interest rate.

The Practice Financial Solutions holds an Australian Credit Licence (ACL), is governed by ASIC and is accredited with over 30 lenders. We have experience in all kinds of transactions and welcome the opportunity to discuss any finance questions you may have.

Contact us today on **(03) 8888 4000**

or finance@thepractice.com.au

to see how we can help.

THE PRACTICE 