



HOME LOANS NEWSLETTER

May 2016

Reserve Bank interest rate announcement

Today the Reserve Bank of Australia met to review the official cash rate. They have decided to leave the rate steady at 2.00% again this month. We expect that most lenders will leave their rates unchanged, in line with the Reserve Bank's decision.

How can you enhance your borrowing capacity?



At a time when property prices have risen strongly, particularly in Sydney and Melbourne, many prospective property buyers ask us what they can do to enhance their borrowing capacity (the amount of money a lender will be willing to lend them).

The key factors that a bank or other lender will consider when determining how much they are willing to lend to a buyer is their income and their regular expenditure commitments. In this article, we will look at some potential steps you could consider to help you increase your income and reduce your commitments in order to enhance your borrowing capacity.

Income considerations:

The following types of income are considered by lenders:

Employment Income

As a starting point, lenders will include regular salary income. They may also consider additional employment related income including: ongoing car allowance, overtime payments, sales commissions and bonuses. In the case of bonuses, you must

have at least a 2 year history of receiving bonus payments for these to be included.

Investment Income

If you can demonstrate at least a 2 year history of receiving regular income from other investments that you hold (such as income earned on cash or term deposits, shares or other property investments) this income can also be included.

Future Rental Income

If you are looking to purchase an investment property, the income which you expect to receive in rent can be included.

Other income which can be included

Other types of income which can potentially be included are: trust distributions and government / pension benefits.

Other expenditure commitments:

On the commitments side, lenders will consider any current borrowings or ongoing contractual commitments you have. This can include; property loans, car leases, personal loans and repayments for furniture and electrical goods. You can reduce your commitments in the following ways:

Pay out existing debt:

Use cash or other assets to pay off existing debts. Paying off the debt with the highest interest can make a big difference.

Reduce credit card limits

Lenders consider your credit card limit rather than the actual credit card balance. If you can, reduce your credit card limits.

By following the above steps you can improve your assessed income as well as reduce your commitments which will help you to enhance your borrowing capacity. If you would like advice about how you can enhance your borrowing capacity or any other property loan enquiry, please contact us.

Our current best interest rates

The best home loan rates we currently have available*:

- ▶ Variable rate of 4.08% pa
- ▶ 1 year fixed rate of 4.14% pa
- ▶ 2 year fixed rate of 3.94% pa
- ▶ 3 year fixed rate of 3.99% pa

*Conditions apply



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