

Tips on how to have your mortgage application approved

BANKS have become much tougher about who they will lend money to since the global financial crisis and the situation shows no signs of easing in 2012.

It is estimated that almost one in four mortgage applications is rejected and usually for the same reason – lack of preparation by the potential borrower.

Probatus Finance spokesman Stephen Helion says while the banking sector has become more competitive, in the current climate lenders are turning the screws on who qualifies for a home loan.

They remain cautious of high-risk prospective borrowers and are more likely to rate certain types of properties “unsuitable”, he says.

“Lenders both large and small are likely to be tightening their criteria in expectation of rate rises this year,” Mr Helion says.

“Lenders are also more likely to scrutinize certain areas that they consider a risk such as regional towns and parts of Queensland in the wake of the floods.”

Potential problems include the apartment you want to buy is in a complex of similar units which makes the lender concerned it will be hard to sell should they need to.

Similarly, a property may be a little run down or valued at a lower price than expected, which may affect the amount the lender will agree to.

So what should you do to prepare?

Steps to secure a home loan

1. Be prepared - familiarise yourself with your credit history and understand what lenders require.
2. Start saving and keep a record of bank statements for at least six months.
3. Pay your bills on time to ensure a good credit rating.
4. Reduce your credit card debt.
5. If you have recently changed jobs, get a letter from your employer confirming that you are no longer on probation.

Source: Herald Sun