

# Overcoming the tightened lending environment



**It would be easy to listen to the media, your friends and family and worry about the future of finance and property.**

**So... is the tightening of credit and tough lending criteria a good thing or a bad thing?**

**It depends on which side of the fence you sit on doesn't it? Let's have a look.**

## SPENDING HABITS

### Let's look at the 'against'

- Your spending habits are now under the spot light – BIG TIME!
- Now more than ever you need to make sure you pay all your bills on time
- You have to live within your means
- You need to declare your REAL living expenses not your 'I THINK THESE ARE MY' living expenses
- You have to reduce your bad debt (pay down those credit cards)

The fact is that MOST of us need to change our spending habits NOW before we get into trouble.

**When you see those 'specials' you really should consider if you actually NEED those items and not simply purchase them JUST because they are on sale.**

### And let's also look at the 'for'

If you do obtain a loan approval, the bank has already stress tested you so you 'should' be ok in a rising interest rate market.

If you are good at paying your bills on time, you will now be rewarded.

If you have lots of equity in your property, valuations should not be a problem.

***If you are on interest only (IO) repayments (at a higher interest rate) and you change to P&I at a lower rate, the GREAT news is that in most instances your repayments should now be equal or lower than what you were paying before AND you are also starting to pay off that debt.***

## DEPOSIT

### Let's look at the 'against'

You now need a larger deposit (with most lenders).

### And let's also look at the 'for'

If you have your deposit – you have the power. Or if you are prepared to pay LMI, then that includes YOU as well.

## LENDING

### Let's look at the 'against'

The lending platform has changed. NOW interest only loans typically have higher interest rates than principal and interest (P&I) loans.

**Ouch for investors!**

***It could be time to consider refinancing and/or consolidating your debt and considering P&I repayments.***

### And let's also look at the 'for'

If your finances are in good shape, your loan application should be processed quicker.

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## INTEREST ONLY LOANS

### Let's look at the 'against'

After your IO period expires it defaults to P&I repayments.

Interest only periods generally last about 5 years, after which you might have to refinance to another lender if you wish to continue making interest only repayments.

**If this is you – let us look at changing lenders for you with a new IO period.**

### And let's also look at the 'for'

If you have had your investment property for more than 10 years then you are more than likely in a new stage of life.

It just might be a good time to consider changing your repayments into P&I and start paying down that debt ready for your early retirement!

## TOUGHER MARKET

### Let's look at the 'against'

The housing market is getting tougher to enter (or are our poor saving and spending habits holding us back?)

**Need budgeting help? Let us know NOW!**

### And let's also look at the 'for'

A tougher buying market means that there will be more renters.

**Wouldn't you prefer to be the landlord when people can't afford their own home?**

## IN SUMMARY

If you have heard of Warren Buffet<sup>1</sup>, the American business magnate and the third wealthiest person in the world, then you would know his secret to success.

Q: What is his secret to success?

A: Doing the opposite to everyone else.

Q: When no one is borrowing to purchase or invest – what do you think he is doing?

A: That's right – the opposite.

No one can predict what is going to happen in the finance or property world. But there is one thing we know...

### You won't find out if you don't ask these questions:

- Can I obtain better finance options?
- Are there different ways to structure my lending to my advantage?
- Am I paying too much interest?
- How do I take advantage of a buyers' market?
- Are there quicker ways to pay down my debt?

If you want to outsmart the media reports and industry experts, let's have a conversation. There is always a little diamond in the rough.

### Glossary:

LMI – Lenders' mortgage insurance

P&I – Principal and interest

IO – Interest only

### Reference:

1. "Warren Buffett". *Forbes*. Retrieved May 11, 2017.

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