

# Spending habits exposed!

Big brother is watching you.



## Did you know that your daily spending habits could be the difference between securing your loan...or not?

This time last year the big news in the finance world was the introduction of tighter lending criteria by APRA (Australian Prudential Regulation Authority) designed to curb what the regulator saw as 'heightened risk' in investor lending. The result has been a considerably slower investment property market.

**Now, in 2018, the focus of the regulator is the accuracy and verification of borrower income and spending information in support of loan applications.**

### Why are they doing this?

APRA plays a key role in protecting the financial well-being of the Australian community. Their focus on lenders' assessments of borrower living expenses and total debt is aimed at ensuring a more realistic assessment of a borrower's genuine capacity to repay their home loan.

### Why is this important?

We may be currently enjoying the lowest interest rates on record, however what goes down must eventually go up.

If you are a property owner and your financial situation isn't quite as healthy as your lender might think, you could find yourself struggling if and when interest rates eventually begin to rise. And NOBODY wants to be heading into mortgage stress further down the track!

### What if you're applying for a loan? Could it affect YOU?

Whether you are a potential first home buyer or a current property owner looking to invest further, chances are you may be subject to this increased level of scrutiny if you apply for a new loan.

**The answer? Make sure you can substantiate your stated income, expenses and any other loans or debt. Ask us how!**

### Big brother is watching...

Many lenders now have greater visibility over your spending. Have you noticed that your transactions are grouped into categories such as groceries, utilities, cash out, retail spending etc on your online statement? It is also important that you and your partner are on the same page when it comes to managing your finances.

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**Let us tell you a story about how (seemingly harmless) spending could derail your next loan application...**

*In a recent loan scenario a loan application was submitted to their existing lender by Jenny and Tim\* along with verification of their incomes and a monthly expenses estimate of \$2,500. Because their savings accounts were held by the same lender, the lender was able to access their account history and determine their level of spending was not really \$2,500 but more in the vicinity of \$3,600!*

*To the great surprise of Jenny and Tim, the lender was even able to identify that every Friday Jenny has lunch at a certain café, followed by beauty treatments and a bit of retail therapy. Tim on the other hand - who is a bit of a car buff - spent most Saturday mornings at Supercheap Auto tending to his hobby.*

*Neither was really aware of how much their partner was spending each week OR that their 'bit of weekly fun' amounted to very much. They certainly didn't expect it to be the basis for possible rejection of their loan application!*

*Fortunately Jenny and Tim were introduced to a broker by one of their friends who was able to work on a budget with them to identify what spending habits had to change. With the broker's skill and knowledge they were able to resubmit the loan through the broker with an explanation to the lender that helped them have their loan approved.*

*Phew! Lucky this time!*

*\* not their actual names*

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## So... How can WE help?

There can be a variety of reasons a lender may reject a loan application. This is where our expertise comes to the fore - we help you navigate a sometimes complex process and ensure you are 'loan application ready'.

It is our job to keep up with regulatory changes, interest rates and loan products to help you find the most suitable home loan for your individual circumstances. An accurate assessment of your situation and home loan readiness will help you move forward with confidence.

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