

DON'T LET THE BREAK UP

BREAK THE BANK

Three months after her separation, Cathy was unable to get a mortgage from a major bank. It took a clever broker to work out why and turn her situation around.

Cathy was 32 when she met Dan at a wine-tasting class. The two hit it off immediately and by the following year, family and friends gathered at the Botanic Gardens to raise a glass to the new bride and groom.

That was 18 years and two children ago, and sadly the marriage didn't improve with age. Several months ago, the couple decided to separate. Cathy had worked part-time since the kids started pre-school 11 years ago. As Dan is an accountant, he took care of the finer details of their finances although Cathy stayed informed and involved. When the marriage ended, Cathy knew she had to start making independent financial decisions. She researched thoroughly, took advice from family and friends and started to make plans.

Some of those plans almost cost Cathy her financial future.

Three months after the separation, Cathy's credit report looked as if she had applied for almost \$1.5 million worth of property finance and she was unable to get a mortgage from a major bank. It wasn't until she was introduced to a mortgage broker that Cathy's well-intentioned mistakes were turned around.

"When Dan and I split, I started to think about where I would live," Cathy says. "We had our family home which we owed very little on and an investment property on the coast. Whatever we did, I assumed I would be in a fairly good financial position, so I started to look for properties that suited my needs. I also considered my financial options, researching mortgages, comparing banks and organising a pre-approval."

As the dust settled on the separation, Cathy found the apartment she wanted to buy and began taking serious steps towards the purchase. That's when things started to unravel.

"I was rejected for a loan from a major bank, which was a shock as I had around a 40% deposit and a great history of making repayments," Cathy says.

"I knew banks were tightening up on lending, so I figured it was a one-off and applied to another major bank and was rejected again. After all the emotion of the separation, these rejections from the banks almost tipped me over the edge. I felt so lost and useless and was worried I wouldn't be able to buy a home. So I went to see a mortgage broker. That's when everything started to turn around."

Her broker got to the bottom of Cathy's predicament – she discovered that in her efforts to do her research and be prepared, Cathy had inadvertently made three applications for pre-approval of a \$500,000 mortgage. On her credit report this looked like she had applied for \$1.5 million in loans over a three month period – a red flag to most lenders.

"I was simply shopping around and seeing if I could get approval," Cathy said. "I had no idea these enquiries were accumulating on my credit report. I also had no idea that pre-approval is not the same as an actual approval!"

"I was very fortunate to find an educated mortgage broker who helped me navigate the approval process. She mitigated the problem on my credit report and helped me find a mortgage that suited me. She also got me a line of credit and a better deal on my credit card, reducing my monthly repayments."

Cathy's advice to anyone facing divorce or separation is to get expert advice.

"Your friends and family will mean well, and some of their advice may be good, but you really need advice from an expert," she says. "The lending industry changes so fast, and even someone like me who considers themselves fairly financially intelligent can get into trouble really quickly."

Thanks to her broker, Cathy is now celebrating her new property purchase and starting a new phase of her life, safe in the knowledge that she is in a strong financial position.

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We see many 'Cathys' in our finance line of duty every day.

We wanted to share this story so you, your family and friends know it is safe to come to us in confidence to help you with your financial challenges and decisions, regardless of your personal circumstances and knowledge.

59% of Australians now use mortgage brokers in order to avoid:

- wasting your time
- damaging your credit file
- acting on poor or uninformed advice and
- missing out on finance that you should be approved for.

Remember, everyone's personal and financial circumstances are different. What may have worked and been recommended to your friends a few months ago is unlikely to be suitable for you today.

¹ Corelogic.com.au