

FREE GUIDE

Understanding my borrowing capacity

What a lender will approve and what you can comfortably live with are rarely the same number. Knowing how the first is worked out tells you what to work on.

How lenders test you

- Lenders check whether you could still afford your repayments at an interest rate about three percentage points higher than the one you would actually pay. This buffer is the main reason people are approved for less than they expect.
- They start from your gross income, then subtract your living expenses, using a benchmark if your stated expenses look low, and your existing commitments.
- Credit card limits count at their full value. HECS or HELP repayments reduce your assessable income.

What lenders look for in your history

- Steady employment, usually six to twelve months in your current role, or two years of tax returns if you are self-employed.
- Three months of bank statements with no dishonoured payments, gambling or frequent buy now pay later.

The number you can live with

- A widely used measure of mortgage stress is housing costs above 30% of gross income. Remember the costs of owning on top of repayments: council rates, water, insurance and, for apartments, strata levies.

Ways to increase what you can borrow

- Reduce or close unused credit cards, clear a car or personal loan, keep your employment steady, and avoid multiple credit applications in a short period.

YOUR NEXT THREE STEPS

- 1 Use the calculator on the MaiKa website to compare your real and assessed repayments.
- 2 Reduce one credit limit or debt before you apply.
- 3 Talk to a mortgage broker or lender about pre-approval well before you start house hunting.

Useful official links

Moneysmart: buying a house <https://moneysmart.gov.au/home-loans/buying-a-house>