

*Australian Credit
Bible Series*

10 Mistakes That Can Get Your Loan Declined

by: The Home Loan Experts

<http://www.homeloanexperts.com.au/>



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THE TOP 10 MISTAKES THAT CAN GET YOUR LOAN DECLINED!

1. Applying with the wrong lender

Each and every bank has their own opinion as to what types of loans and customers are high or low risks. For example some lenders will not lend to someone who has just started a new job whilst others have no problem at all lending to someone who has only been in their job for just one day!

If you know there is something about your situation that may be a problem then please [talk to one of our Credit Experts](#) and we can help you apply with a lender that may accept your situation. Getting your loan declined again and again by different lenders will ruin your credit score for future loans.

2. Not Including All Of Your Debts In The Application Form

You MUST include all of your debts in your loan application. Lenders will see all the loans you have applied for in the last five years in your credit file. They can call those lenders to check if you still have a debt with them. The most common debts people forget to include are credit cards or store cards that they no longer use.

In most cases lenders will decline your loan if they find a debt that you did not tell them about. You are not required to declare expenses such as childcare costs, Pay TV, gym memberships and insurance as these are living expenses not debts.

3. Not Understanding Your Credit Score

Major lenders assess loans using a computer generated score that is based on almost every aspect of your situation, from the industry you work in, where you live, your asset position, your credit history and if you can afford the loan or not. Every lender uses a different credit scoring system to evaluate the potential risk posed by lending money to you as a borrower. Many people apply for a loan simply to be told no because of their 'credit score' even though they have a perfect credit file!

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Your credit score can be lowered by simple things, such as how long you have been at your current address or how many loans you have applied for in the last year! You can use our [Credit Score Calculator](#) to get an idea of what the lenders will think of your situation before you apply.

If you have a blemish on your credit history, we recommend that you request a [Free Copy of Your Credit File](#) to find out exactly where you stand.

4. No “Genuine Savings”

Banks have learnt from past experience that people who can save a 5% deposit are a much lower risk than those that can't. Consequently, almost all lenders have lending policies that result in them automatically declining your loan if you do not have a deposit that you have saved yourself.

Don't worry, there are still some lenders that can help if you didn't save your deposit yourself. You can find out more about [Genuine Savings](#) on our website.

5. Sending your documents to the lender in bits and pieces

The loan processing teams in banks work more like factories than an office. Each loan goes through certain steps and procedures, and these steps are generally completed in a particular order. If you only give a lender half of your documents then they can't do many of the steps, or may have to do them again when you do provide the other documents. Think of it like a factory trying to build a car without having the engine or wheels.

Banks are very pedantic about the documents you give them to prove your income, assets and liabilities. They will put your loan on hold if they don't have everything that they need. Some banks practise a policy of declining incomplete applications as it's more cost effective for them than waiting!

As your mortgage broker we will also have difficulty choosing the right lender for you with any certainty until we have everything we need. So please help us to help you by sending all

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documentation to us in one go. We will never send an incomplete application to a bank as it will ruin our reputation and get your loan declined!

6. Over complicating your application

Banks use very inflexible computer systems to process loan applications. Unfortunately, they often cannot handle unusual requests. Try to keep it simple when applying for your loan. Loans that are 'too hard' often get declined because the credit manager simply doesn't understand what is going on and can't be bothered doing the extra work to get you what you want.

Try to get your application right the first time. Changing your mind about the loan amount, loan type and other details means that the bank has to start their processing from the beginning.

It is very easy for us to help someone get a loan if they have one or two issues that need resolving. However when you have several issues, the list of lenders that can help you rapidly reduces until there are none left. So if you are trying to buy a serviced apartment in a family trust when you are casually employed with a default on your credit file and with no genuine savings then there simply aren't any lenders that can help!

Keep it simple and your loan has a much better chance of being approved.

7. Underestimating the pessimism of bank valuers

If you are buying a property, then it is likely that the bank valuation will match the purchase price. It is only new buildings that tend to be valued conservatively as people often pay a premium for a new property.

However, if you are refinancing a property you already own then there is roughly a 70% chance that the valuation will come in below your expected value! As a result many people have their loan declined or end up paying expensive [Lenders Mortgage Insurance \(LMI\)](#).

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Did you know that some lenders allow us as your mortgage broker to arrange a valuation before you apply for the loan? This means we can order valuations from two or more lenders and if necessary apply with the lender who has the highest valuation!

8. Assuming everything is ok because you are pre-approved

Many people with pre-approvals in place find a property they wish to buy, and are surprised when their bank then declines their loan! This is a particularly large problem if that person has won an auction or committed to buy a property. So what can cause your loan to not get formal approval?

- Rates may have increased which could reduce your borrowing power.
- The lender may have changed their lending policy.
- Your pre-approval may have expired.
- The property you buy may not be acceptable to the lender.

The type of property that you buy is something that catches out many people. Before making an offer on a property we always ask our pre-approved customers to check with us to make sure that the type of property they are buying is accepted by their lender.

Please read our [list of unacceptable & restricted property types](#) before you buy a property. Common types of property such as units that are less than 50m², inner city apartments, small country towns and properties that have a partly commercial use are quite difficult to finance.

9. Borrowing to your limit

First home buyers are notorious for borrowing the maximum amount that a lender will allow. Did you know that just because a lender's serviceability calculator states the maximum you can borrow doesn't mean that they will approve your loan?

Borrowing the maximum possible amount is only available to people that have an excellent credit score. For everyone else, it is likely that the lender will see it as a high risk and decline the loan or reduce it to a level they believe you can comfortably afford.

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It is much easier to get approval if you borrow 80% or less of the property value and / or can easily afford the amount you are borrowing.

10. Not making your payments on time

As part of the approval process banks will check to see how you have managed your existing debts such as, personal loans, credit cards, home loans and rent payments. From past experience they know that if you have not made payments on time every time for your debts then there is quite a high chance that you will default on your loan.

In addition to this, they consider people who have overdrawn their cheque account to be a high risk too!

Are you worried about your loan application? [Contact us](#) and our mortgage brokers will help you to navigate the minefield and get approved!

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