

Appendix: Credit policies

## APPENDIX: CREDIT POLICIES

Smart borrowers understand that education and research give them an edge. This appendix sets out the security most lenders will require and the income they'll look for from a borrower to qualify for a loan, at time of writing. Of course, each lender has its own credit policies, dictating how a loan application is assessed and what is and isn't considered suitable security and income to service a loan. It's impossible to document every lender's policies, so I've endeavoured to set out the 'average' policies.

This information is not exhaustive and lending policies change regularly, so it's extremely important to check with individual lenders.

### Acceptable security

The following table sets out the average acceptable security for various types of property.

Security/property type	Maximum LVR without LMI	Maximum LVR with LMI
Residential dwellings – house detached, semidetached, terrace, duplex townhouse, villa, strata title holiday home zoned residential	80%	95% + LMI up to 97% (max. loan is \$1.15 m)
Vacant land	80%	95%
Community title	80%	90% – 95%
Company title	80%	95% in a capital city
Moiety title	70%	Not generally acceptable
Display homes	80% (most lenders)	Up to 95%
Stratum title	80% (most lenders)	Not generally acceptable
Converted commercial	60% – 80% (not all lenders)	Case by case
Converted industrial	60% – 80% (not all lenders)	Generally, not acceptable
Serviced apartment, holiday apartment or resort apartment	60% – 80% (very few lenders)	Generally, not acceptable
National Rental Affordability Scheme (NRAS) properties	80%	90%
Living area less than 50 m <sup>2</sup> (exc. balcony and car park)	60% – 80% (very few lenders)	Up to 90% if more than 40 m <sup>2</sup>
Transportable homes (once utilities are connected)	70% – 80%	95% (some lenders)

RULES OF THE LENDING GAME

Security/property type	Maximum LVR without LMI	Maximum LVR with LMI
Licensed builder – fixed-price contract	80%	95% + LMI up to 97% (max. loan is \$1.15 m)
Owner-builder	60% – 80% (very few lenders)	Not acceptable
Non-resident applicants	70% – 80%	Not acceptable
Properties worth more than \$3 m	Some lenders will reduce LVR to 70% – 75%	Max. loan for LMI is typically \$2 m
Mining towns (certain postcodes)	70% – 80%	Generally, not acceptable
Vacant land zoned rural	Generally, up to 70%	Not acceptable
Rural residential or residential greater than 50 hectares	Not generally acceptable	Not acceptable
Retirement village accommodation	Not acceptable	Not acceptable
Timeshare property	Not acceptable	Not acceptable
Property located in inner city (high density)	80%	80%
Property located in town with population of less than 10,000	80%	Case by case
Crown leasehold property (remaining lease term is greater than loan term)	60% – 80%	95%
Up to 3 dwellings on one title	80%	Case by case

Appendix: Credit policies

Security/property type	Maximum LVR without LMI	Maximum LVR with LMI
Up to 4 dwellings on one title	70%	Not acceptable
5 or more dwellings on one title	Not generally acceptable (need commercial loan)	Not acceptable

**Acceptable income**

This next table provides guidelines on what income is regarded as acceptable and gives lenders confidence that the loan will be repaid.

Income	Policy
Salary and wage (permanent part-time and full-time)	100% of income
If it's a new employer and your probationary period has not been completed	If you are in a similar role and in the same occupational role, most lenders will consider including 100% of your income. Otherwise, you must complete the probationary period.
Bonuses	80% as long as there are 2 years of history
Overtime	80% (3 to 6 months of history is required)
Commission	80% (3 to 6 months of history is required)
Second job	Generally, 100% if ongoing