WHAT IMPACTS YOUR BORROWING POWER?

Whether you're buying your first home, upgrading, or looking to invest, knowing what affects your borrowing capacity can make a big difference. Here are the main things lenders take into account when determining how much you can borrow:

Income

Your salary is one of the most important factors in determining how much you can borrow. Lenders asses the consistency, stability, and type of income you earn. This may include:

- Salary/Wages - Most lenders require recent payslips and employer verification.
- Bonuses & overtime - Needs to be included, but often lenders will consider a portion often 50%-80%.
- Self-employed income - Lenders will require key financial documents, including 2 years of tax returns & 12 months Business Activity Statements (BAS).
- Rental income - Usually assessed at 80% of gross rent to the account.
- Government income - Lenders consider government payments can be a stable source of income and will factor this into their assessment.

What you can do: Maintain stable employment where possible and ensure your income is documented correctly. If you're self-employed, keeping clean, up-to-date financials is crucial.

Living Expenses

Lenders want to ensure that you can make your loan repayments alongside your everyday cost of living. This includes things like housing costs, utilities, childcare costs, and discretionary spending.

Your self-declared living expenses are compared to a benchmark lenders use called the Household Expenditure Measure (HEM). HEM is used as an estimate of what an 'average' individual/couple/family might spend in a month. The lender will use the higher of the two figures to assess your ability to repay the loan.
What you can do: Be honest with your expenses and track your spending for at least a few months prior to applying. Reducing unnecessary costs can improve your overall affordability profile.

Existing Debts & Liabilities

Any existing financial commitments will reduce how much you can borrow. These include credit cards (even with $0 balances), car loans or personal loans, HECS/HELP debt, and Buy Now, Pay Later accounts.

Even if you are managing them will, lenders will consider the monthly repayment obligation for each.
What you can do: Pay off or consolidate smaller debts where possible, reduce credit card limits, and avoid taking on new debts.

Credit History

Your credit report includes repayment history, credit enquiries, and any defaults, or judgments.

A strong credit score can open up more lending options, while negative history may limit your choices, or require specialist lenders.
What you can do: Check your credit report regularly, pay bills on time and avoid unnecessary credit applications.

Loan Type & Loan Term

The structure of your loan affects your borrowing capacity. Interest only loans may be assessed more conservatively than Principal & Interest loans. Longer loan terms lower repayments and increase borrowing power but also increase interest over time.
What you can do: Choosing the right structure can make a big difference. At Allymont Finance we will guide you through the options that best suit your goals.

Interest Rate Buffer

Lenders don't assess your ability to pay at the current interest rate; they add a buffer of 3% on top of the rate you are applying for to ensure you can still make repayments if rates were to rise.
What you can do: At Allymont Finance, we guide you through various scenarios to help you understand if you will be able to service your loan with higher interest rates.

Deposit Size or Available Equity

A larger deposit reduces the lender's risk and may improve your borrowing power, provide access to better loan products or interest rates, and eliminate the need for Lenders Mortgage Insurance (LMI). If you already own property, the equity you have built up can serve as a similar function.

For first home buyers, the prospect of saving a large deposit can be daunting. Fortunately, the Australian Government has implemented various schemes designed to ease this burden and support you in purchasing your first property. These initiatives can help make homeownership more accessible and attainable for you.
What you can do: Aim for at least a 20% deposit where possible, or leverage existing property equity smartly.

How we can Help

Borrowing power is not a one-size-fits-all. Every lender has different criteria, and your profile may be stronger with some than others. We work closely with you to maximise your borrowing potential, compare lender products, and prepare your finances for the best outcome.

Whether you're just getting started or ready to act, we are here to provide real support and clear advice - without the pressure.