# Time for a second opinion?

**Over the last four years Australia has seen significant growth of around 37% in the number of investment property loans compared to an increase of only 4% in the number of owner occupied loans. 78% of the growth in investment property loans has been attributed to the 35 to 64 age groups.**

In NSW alone, it was recently noted that 60% of new loans were attributed to investors[1].

**So are you one of the growing number of property investors trying to jump into the Australian property market?**

## If you are, and you already have your pre-approval for a loan - it may be time for a second opinion!

In the past few weeks, under pressure from APRA (the Australian Prudential Regulation Authority), there have been moves by a number of banks to make it more difficult to finance an investment loan.

**Banks have announced different policies, but here are some examples of the measures that have been put in place:**

- Stricter criteria to approve investor loans
- Cuts to interest rate discounts for investment loans
- Raising deposits on loans up to 20% from as little as 5% just a month ago
- Reduction in the amount of rental income taken into account when assessing an applicant's income

In short, property investors will now require bigger deposits as banks restrict LVR (loan to value ratio).

**If your loan was approved prior to 20 May 2015 this may have effectively made your application void.**

## So what should you do?

The first step is to contact us to assess whether your existing pre-approval still meets the current lending criteria. Not all banks have introduced the same measures. We have access to many lending institutions and will be able to guide you through your current options if your pre-approval situation has changed. **Ensure you check this out BEFORE you make an offer on a property.**

If your pre-approval still has the 'tick of approval' then happy investment property hunting!

However, if you find your approval has changed then we urge you to contact us and we can help you investigate your options for increasing the amount of your deposit to meet the LVR criteria. These might include:

- Using more of your home equity
- Assistance from parents/family members with a Family Pledge ie. they act as guarantor for the shortfall in the deposit
- Pooling your resources and entering into a co-ownership arrangement with parents or family members

## And is there good news?

Well yes! This development COULD be good news for new owner/occupier borrowers. With investor lending reigned in a little, lenders will most likely fight hard for borrowers who intend to LIVE in the home they are borrowing against. There is a very real possibility of better interest rates for this sector of borrowers.

1. CoreLogic RP Data

If you are in the market for an investment property OR your own home call us today to explore the finance options best suited to your own personal situation.

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When you apply for a loan, the lender requires a range of information to fully assess your borrowing capacity.

Call the office for our 'Loan documentation checklist' to ensure you are fully prepared.

Fit Loans

Frank Zinghini
Managing Director
www.fitloans.com.au
www.facebook.com/fitloans
Mobile: 0412671545
Office: (03) 9452 6959