If I told you there should be some good news ahead for mortgage holders would you believe me?

Maybe not - but you should! Why?

Two reasons:

1. You will be rewarded for your good finance behaviour, AND
2. It could take just 3 months of ‘clean living’ to grab your next home loan.

Forget the banking royal commission, the hear-say on property valuations and lenders’ scrutiny on living expenses and let us explain points 1 and 2.

When we say you should be rewarded for your good finance behaviour, YOU WILL be viewed more favourably.

Up until 2014 Australian lenders based their loan decisions on a negative credit reporting system only. That meant the assessment of a potential borrower was based on negative reports on their credit history such as missed repayments and defaults.

In 2014 positive credit reporting was recommended by the Australian Government asking financial institutions to also keep data on the history of good credit behaviours (aimed at making it easier for lenders to form comprehensive and balanced assessments of applicants’ credit histories: the good and the bad).

Due to a relatively slow uptake of the system, the Government imposed deadlines for Comprehensive Credit Reporting (CCR). All major banks were required to provide 50% of their credit data to credit bureaus by July 2018 and 100% by July 2019.

With the current government’s imposed deadline, banks now must follow the Comprehensive (Positive) Credit Reporting (CCR) regime. This means if you pay off your credit card each month or make a loan repayment on time, these will be seen as positive and will help balance your credit score (a numerical score that represents how trustworthy your reputation is as a borrower).

We have clients asking how to get their credit ‘clean’. We say, don’t despair, it is possible.

For some clients, showing a good payment history over just 3 months has made all the difference in securing their loan. But note, all lenders have different requirements (that we are across), so it is always best to contact us first.

Before you start looking for your next property, or talking to lenders, contact us as your mortgage finance specialist. We can help determine the best strategies and timeframe to help you turn your finances around and get that balanced POSITIVE credit score.

Easy ways to look your best to lenders

- Pay your bills on time – BY DIRECT DEBIT.

One of the easiest ways to improve your credit score is by paying all of your loans and every-day bills on time:

- All loans (mortgage, investment, car loans etc)
- credit cards,
- phone bills,
- utilities,
- personal loans, and
- any other regular bill.

About time there was some good news
That may seem a no-brainer to many of us, but according to one major bank, one third of Australians pay their bills late. Don’t leave it to chance by paying manually, set up a regular debit for your bills to be paid by direct debit on the due date.

Pay at least the minimum on your loans and credit cards. If you pay more than the minimum that’s even better!

- **Remove unnecessary credit**
  If you have paid some of the balance off a credit card(s), then it’s a great idea to reduce your credit card limit.
  
  Or when you have paid down an interest-free purchase – close the account!
  
  The total credit limits on all loans and cards (be it interest-free facilities, credit cards and personal loans) are included in the serviceability of a new loan by the lenders as if they are fully drawn.

- **Stability**
  Employment stability is important when applying for a home loan, naturally, as this is the income used to repay your loan.

- **Check your credit rating - before a lender accesses it**
  Check your credit rating to see if there is anything incorrect.
  
  Contact us to find out where to source your credit report for FREE. We would also be happy to explain it to you.

- **Have a ‘buffer’**
  Showing you are able to meet your loan repayments, are able to cover your expenses AND have a savings ‘buffer’ will get you big ticks from lenders.

So there you have the good news! And with our knowledge and range of lenders and their requirements, we can help improve your chances of securing your next loan.

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1. Canstar, Credit Score, What is positive credit reporting, July 2018
2. News.com.au, Australians are paying a heavy price for late bills

NB: the government has passed legislation through the House of Representatives however legislation still needs to be passed by the Senate to become law. We do not know the time frame for this at this stage.