Andrew D.:

Today, I am here with Jenny Cheevers and we are talking about tips or advice, strategies to help you maximize your chances of getting your mortgage application approved. This is a podcast that we've been wanting to do for a good long time. It's been a while in the making. Jenny is my personal mortgage advisor and in my humble opinion, one of the very best around. So I think you're in safe hands. How long have you been a mortgage adviser for now Jenny?

Jenny C.:

This will be my 23rd year now. So quite a long time. November, 1997. So going way back there.

Andrew D.:

So you've seen it all. You've seen good markets, bear markets. You've seen high interest rates, low interest rates?

Jenny C.:

I've ridden the roller coaster several times. And what's been great actually, just over the last kind of couple of months, I've had clients come back to me where I did their mortgage like 18 years ago and they've come back to me and then another one was like 15 years ago, so certainly I'm around for the long term.

Andrew D.:

That's the thing with real estate. You've got to be around for a while to have repeat business because people don't move that often, so you've got to stick at it.

Jenny C.:

Definitely. So thanks so much for having me on Andrew and I just think that it's just such a great opportunity to give your listeners information. I've been listening to other podcasts and it's all about people want information, but they don't know where to get up from and I think just here is a really good platform. You are providing a really good platform for your listeners just to get information.

Andrew D.:

That's the goal. That's the idea.

Andrew D.:

Let's kick into it, Jenny. So you've got some tips that you want to run through for our listeners.

Jenny C.:

Yes.

Andrew D.:

So for anyone out there who is soon to be making a mortgage application, or you just think that's going to be happening down the track for you, you can save these. You can set these aside and know that they'll be there for you when you need them, but let's run through them. What's first on your list?

Jenny C.:

Well, first on my lust is actually doing a bit of a disclaimer, so I need to really say that a copy of my disclosure statement is available on request and free of charge and also to that obviously what we're discussing here is kind of tips and advice around improving the chances of getting your loan application approved, but obviously any loan application is subject to a banks normal lending. So it all has to be... You know, we have to have a full application with supporting documents submitted, and then it will be an answer from there. So this here is just to kind of give you some good advice on what might make your application look really attractive to the bank.

Andrew D.:

Based on your experience and what you've seen, but certainly that's a good thing to... Good message to put forward that it doesn't guarantee acceptance.

Jenny C.:

That's right. So one of the key things I'm seeing at the moment and which really seems to let people down is their account conduct.

Andrew D.:

I've heard you use that phrase before. What do you mean by account conduct?

Jenny C.:

Well, what I mean by account conduct is obviously you've got money going in and money coming out and what you want to make sure is that there's enough money in the account before the money goes out so that you're not doing those going overdrawn. So when you get that a little Odie by the number and or it goes into read print. So you just want to make sure that you're not going overdrawn, especially if you haven't got an overdraft facility and a lot of people have got an overdraft facility, it might be 500 to a 1000 dollars and maybe just before the pay goes in, they might go overdrawn a little bit and the bank's okay with it because you've arranged to have a facility with them, but some people haven't arranged to have a facility with them and so they do go overdrawn and then they might get sent a notice.

Jenny C.:

The banks are kind of good now with the technology, you might get a notification, a text or an email saying your account's overdrawn, but really you shouldn't be relying on that notification from the bank. You should know what's in your bank account and what's not and it just doesn't look very good from a bank's point of view that your I suppose, doing something that you haven't requested to be able to do. So you'll say, "Oh, I don't care if I go overdrawn, the bank would send me a text message and I'll make sure I transfer some money from my savings account." No, you really just want to make sure that you're abiding by the rules say, and sometimes it can only be a little amount, but it's just the fact that you're doing something that's outside what is the rule for your account.

Andrew D.:

It's such a good message because at the time when that happens, the bank doesn't necessarily mind because they get to charge over 20, $30 an arranged overdraft fee.

Jenny C.:

Exactly.

Andrew D.:

So they're not going to call you up and tell you off, they're just going to charge you and send you the bill, but in fact when it will count against you as later on when you go to apply for a mortgage potentially.

Jenny C.:

Yeah, that's right. And so sometimes too with that account conduct, it's not just say they're going overdrawn as well, it might be that you've got insufficient funds in your account so your automatic payment to your power company hasn't gone through and if you're looking through people's statements and they've got unpaid genesis account and just it's like, can these people not manage the money? And I think that's probably what a bank's looking at as can these people manage their money? Because if they can't manage it without a mortgage, are they going to be able to manage it in the mortgage payments? And of course the last thing with bank wants you to do is fall behind in your mortgage payments. So you really want to show to a bank that you're good at managing your money.

Andrew D.:

Is it okay bearing that in mind... You know, I know a lot of people who run pretty close to the wind on their, say they're savings as account because they're very good at when the money comes in from their paycheck, they distribute it to different savings accounts and a holiday account and this account. So they might run a close to zero on their sort of every day account, but they've got this other money set aside for certain things. Is that going to look okay to a bank or should you be trying to keep a 1000 dollars in your every day account all the time?

Jenny C.:

No, I don't think so. I think though what you need to make sure though is that although you might have money in other accounts, it's your responsibility. Not the bank's responsibility, but your responsibility to make sure you transfer money out of those accounts. If you haven't got enough money in the account that's going to be paying your bills. So that's how I look at it. Also too, I think if you... Because obviously banks look at your... It's good to have a savings account and it's good to see savings, but I remember seeing somebody's savings account where like you said then, they got the pay, put their money into their accounts and let's say this one was like a 100 dollars every fortnight going into the savings account.

Jenny C.:

Three days after the money going into the savings account, they were drawing it back out again. So it really didn't end up being a savings account at all. It was like, I'll put the money there and then take it out straight away and I just kind of think in that case what they've been better off maybe only putting $50 in that account and that $50 staying in there for a long, long time and building up to her savings balance rather than putting money in the air to only three days later, draw it back out again because that's not really savings and that's not really putting money aside for savings.

Andrew D.:

So ensuring good consistent conduct?

Jenny C.:

Definitely. And at the moment the banks are viewing your last three months bank statements, but I can actually see there's potentially, because the banks are cautious around lending. At any time they might extend that out to six months. So probably a good idea or if you've got a good six months of good account conduct.

Andrew D.:

Especially if you're on the edge of getting that approval. Like you say, if you're a slightly what the bank would consider. One, they want to take a closer look at, maybe you'll go for a less than 20% deposit or maybe you've got... Maybe you're self employed or another variable like that?

Jenny C.:

And so yeah, they are going to. You're exactly right. They should be making sure those last six months look good.

Andrew D.:

Okay. So six months of good account conduct-

Jenny C.:

Yes.

Andrew D.:

... first. What's next?

Jenny C.:

Well, I suppose... So sorry, just going back on that good account conduct. So not only are the banks looking at the account conduct through that account now and your bank account, they're actually looking at your expenditure as well. So quite often when people apply for mortgages, it's like, yeah, I'm spinning a lot of money at the moment. I'm going out on a Friday and a Saturday night and then I might go out for brunch on Sunday. You know, so you're doing all those things but it's like-

Andrew D.:

But I can stop doing that if I-

Jenny C.:

[crosstalk 00:10:22], that's right, I'll stop doing that when I get a mortgage. Well let's just think that six months or three months before you apply to get your mortgage, you're in training for your mortgage. So you're not going to be that I'm going to stop that as soon as I get there. Let's prove to the bank that three months prior to your applying for your mortgage, you could stop those habits of all of your spending and just tone it back a little bit. So you can be like, actually I don't need to be expending as much as I am because the banks are looking more at what your actual expenditure is and the only way they can look at that is by looking at your previous statements, so yeah.

Andrew D.:

Well then would you say one option there would be to... You know, I feel like if I was in that situation, I would work out, okay, this is the kind of house I'm trying to buy. This is what the mortgage payments would be. This is how much rent I pay currently. If that's below how much the mortgage would be then you'd try and set aside the difference each week to kind of prepare yourself for, okay, this much money is going to go out each week once I have this mortgage, I'm hoping to get... Why don't I start there now and then start getting used to that. If that does mean that my lifestyle has to be scaled back slightly.

Jenny C.:

Yeah, it does and when we talk about kind of scaling back what your expenditure is, don't get me wrong. I'm not saying like don't have a life and don't be happy and don't have enjoyment. I'm just saying that maybe you don't need as much of that if you're preparing to get a mortgage and-

Andrew D.:

I bet you've seen some good levels of expenditure over the years.

Jenny C.:

Yeah, that's right. And I always say to clients too, if you get a mortgage and you can't after that afford your favorite takeaway once a week or you can't go out to the movies. Well, maybe that mortgage level is too high because I I'm a strong believer in, you still need to have a life as well but it is apparent sometimes when you look at people where they are, they're going out all the time and for all of us that discretionary spending where we kind of lose the most control for want of a better word. So, yeah, you're right. I think that's a good philosophy that you had there if you calculate potentially what your mortgage payments are. If they're lower than what you're currently paying on rent, yeah, save the difference and then we can show to the bank, look. Look how great they are. Yeah.

Andrew D.:

Next up on your list?

Jenny C.:

Next up on my list. Let's talk about income.

Jenny C.:

So obviously with income, banks are looking at if you're a salaried employee, job stability always helps. If you've changed jobs every three months for the last couple of years a bank might be, what's going on here? Why... As in perhaps it might be the industry. You're in sometimes industries that people do change jobs a lot because they're learning different things. However generally as a general rule, most people are on their own jobs for at least a year, if not longer and I think it always helps a loan application if you can say look, they've got job stability. They've been in this role for four or five years.

Jenny C.:

They're not moving around. They're obviously employable. They're obviously good at what their job is. Often people with their own income, they might receive bonuses or commissions. The bank doesn't use all of that bonus and commission as part of your income though all of the banks have different policies, but just be aware that they won't use all of that and they might average it over the last a couple of years. They may only use 50% of it. So in terms of, obviously good for you to have because it increases your income, but all of that not be relied upon in terms of applying a mortgage.

Andrew D.:

That's really useful to know, and it might be important to factor in if you think buying a home is in your very near future and you're negotiating whether your role is more salary-based or more commission-based, then that's definitely something to take into account.

Jenny C.:

Absolutely. You might choose a little bit more salary, yeah, if it's going to get you... That help improve your chances of getting your finance approved.

Andrew D.:

What about if you were switching to being a contract... Say you're... Even if you're staying in the same industry, but you've been doing a role for a long time and you're looking at going contracting to do potentially that same job, but just to earn more money, which is usually the reasoning behind it. What sort of effect does that have on-

Jenny C.:

Well, contractors are viewed as being self employed. So as a general rule with self-employed banks look at your last two years financial accounts and they'd average those last two years contract and can be slightly different, especially if you have... Like you say, you're contracting in the same industry where you had been a salaried employee, you might even be contracting to exactly the same company where you had been working as an employee, which happens a lot, but still contracting has an element of risk and because of that element of risk, like you say, you might get paid more than what you would as being a salaried employee and so it depends on the... It's a gray area.

Jenny C.:

So I don't want to say a black and white answer here, but it is a gray area, the contracting, but certainly, you know now talking about potentially being self employed, you are looking at the last two years financial accounts. So say for example, if you were a painter and you'd been working for somebody for wages and you decided to set up your own business as a painter and you'd only been doing it for three months, you can't apply for a mortgage that... Well you can, but a bank's not going to [crosstalk 00:17:05], chances are pretty slim because-

Andrew D.:

Even if you're earning the same money week to week or a little bit more even.

Jenny C.:

Because the bank wants to see a track record and they want to see sustainability of income going forward in the future and we need to be able to prove that sustainability and so proving that sustainability as by using historical data but so obviously being the longer you are self employed, the more we're saying, look how sustainable it is. You've been a self employed painter for say 10 years, obviously we can see that you've been able to consistently earn an income. So yeah.

Andrew D.:

On that contracting note, a point that I thought was interesting was the bank will take your income after all your expenses. So one of the nice things about becoming a contractor is you can often claim certain expenses. You might claim home office expenses or the brand new you that you've just brought if you are a tradie. So it's fun being able to sort of put these things against business, but it will affect your income in the eyes of the bank and you can't take your gross income and use that for a mortgage application. Is that correct?

Jenny C.:

It's absolutely correct. So definitely if you're self employed, the bank's going to look at what we refer to as your taxable income. So your income after your expenses. So yeah, very important if you're applying for finance that you want to keep your expenses pretty lean. That would be my response to that. So yeah.

Andrew D.:

Good advice. So another one that I thought was really interesting on this list. This is a bit of a segue into saving and debts and things, which is probably the next sort of area to talk about, but while it's... One that you had written down there was while it's good to pay off all your debt, you should try and have a savings record as well. So potentially while you're paying off your debt, have a... Even if it's a small amount, have a savings account set up and regularly contribute to that?

Jenny C.:

Absolutely.

Andrew D.:

Which is kind of slightly counterintuitive because some people would say put all the money you can into getting your debt down as quickly as possible, but your comment is that in the eyes of the bank, having that savings record can be really helpful.

Jenny C.:

Yeah, it can be. I remember one time, a long time ago actually, where some people had come to see me and they had very little deposit, but they were like but Jenny we've paid like $20,000 off of debts that we had over the last 12 months, but that didn't help their application because they still had... They didn't have enough money for a deposit. So you kind of need the both to go a little bit hand in hand because you still actually need that deposit to be able to buy a house. So if you have the ability to be able to save, keep your Kiwi Saver going, keep up your payments on your short term debt, it's going to help if you do want to buy so now, otherwise you could spend 12 months paying off your debt, but then you might have to then spend another 12 months saving up your deposit for your house. Yeah.

Andrew D.:

Makes sense.

Jenny C.:

But on the topic of short term debt. I know that's very attractive. There's advertisements all the time trying to entice you in to get deferred payments, to get interest free, to basically have it now before you've actually got the resources yourself to actually have it and when clients have got a lot of short term debt, unfortunately what picture that shows to a bank is I have to have these things before I've actually got the money to be able to have them and I understand that every now and again, your washing machine might break down and you haven't got the money for a washing machine. You get it on higher purchase, some things like that are going to have to happen but if you need the latest iPhone-

Andrew D.:

If it's a 50 inch TV and couches and-

Jenny C.:

That's right. You have to ask yourself the question really is it going to help my chances of actually getting a loan approved? Do I really need it? So I suppose that's really let's say a whole want and need isn't it? And I think if you were wanting to get a mortgage, buy a house, you actually have to think about, I'm only going to buy what I need, not actually what I want and then that hopefully will minimize the short term debts.

Andrew D.:

It's those two words delayed gratification that I just love so much.

Jenny C.:

Yeah.

Andrew D.:

Get used to having delayed gratification.

Jenny C.:

That's right.

Andrew D.:

The house is this massive amount of delayed gratification. The big flash TV on a higher purchase plan is instant gratification.

Jenny C.:

That's right. Yeah.

Andrew D.:

The differed payment plans are always so tempting because you might say, well look, I can't afford that, but you've got to look at what longterm effect that might have-

Jenny C.:

That's right.

Andrew D.:

... on your ability to do bigger important things.

Jenny C.:

And some of the short term finance, I was horrified the other day, I noticed the interest rate on this person's short term finance. It was like 29%. I'm like, seriously, can somebody actually charge that at the moment? But it was there in black and white and I think that's like, yeah, you just have to be very, very conscious. You might be on something that's a 0% interest now and if you don't pay it off by the time that period finishes, you could be paying a higher rate. So just something to be very conscious of, especially when things can change so quickly with your own circumstances and you might think, "Oh, if I get this deferred payment, that's fine. Because in three years I know I'll be in this position and I'll be able to do it." But what if in that three years, you're not in that position? So yeah, consumer debt is something just to be very cautious of. Yeah.

Andrew D.:

Well, a note on that I recommend watching out for is, when you look at these deferred payment plans and it will say interest free for 12 months, 24 months, 36 months, while that looks appealing and is appealing, what they often don't tell you until you get to the point where you're signing up is that there's an admin fee of $150 to buy this stereo or this TV or this fridge and if you extrapolate that $150 out over the day, it actually works out that you're essentially paying interest. It's just lumped into this one little payment at the start, which they just check on the data anyway. So they have ways of making sure they get a retainer out of you, whether it's an interest rate or some other way of achieving that.

Jenny C.:

Yeah. And I suppose in like going back to the start of this discussion about talking about getting yourself prepared is if you think you're getting yourself prepared to get your mortgage application looking beautiful and if you're pitching that starting six months back then really think over the six months, what do I actually need and what do I want? And just go with what you actually need.

Andrew D.:

So on the subject of debt, a lot of people see credit cards as a target rather than a kind of emergency fund and a lot of people go on holiday and they fund it on credit cards. You've got a good rule that you've told me plenty of times before, which is to not go on holiday, if it's going to be on the credit card. Do you find yourself saying that to people a lot?

Jenny C.:

Oh, absolutely. To be honest, I can't actually... I can't comprehend myself how enjoyable it could be to go on a holiday using your credit card and then come back, especially if you went away in winter time and you went somewhere warm and you came back and it was still winter and you've got this debt that you're repaying through winter on I don't know. I just... To me, I can't get my head around the enjoyment that you would have on your holiday knowing that you're just going to come back to debt and would that holiday not feel much more pleasurable if you'd waited a year and actually use the money that you had saved to pay for that holiday and then come back debt free.

Andrew D.:

It comes back to that idea of chasing instant gratification. Isn't it?

Jenny C.:

That's right. Yeah.

Andrew D.:

One last question on the debt subject. What about student loans? So if you have an interest free student loan, while you're in New Zealand, should you pay that off? Should you leave it? If that's an interest rate you better off to just forget about that and just keep building up your deposit rather than trying to pay that off?

Jenny C.:

Okay. So what the student loan that... Everybody has them basically. Rarely do I come across somebody who hasn't got a student loan. So they're very common, I don't think anyone should be embarrassed about having a student loan. Nobody should ever feel embarrassed about the level of their student loan.

Jenny C.:

It depends what degree they've done. Some people that have trained to be doctors have quite large student loans. It's just the nature of the course and banks don't necessarily look at what is outstanding on your student loan, what they're looking at is what percentage of your income that's taken as a repayment out of your income. So therefore then that money can't be used towards paying your mortgage. So what I'm trying to say here is if you've got a student loan, it reduces your borrowing capacity and because of it as a percentage of your income, the more you earn the higher percentage, the higher amount is coming out of your pay on a regular basis to pay off the student loans.

Jenny C.:

So you know, it can take up quite a bit, which can really diminish how much you can afford to borrow. Sometimes... And I just want to strongly say sometimes if people have got student loans that are relatively low and by relatively low I mean, probably like maybe under 10 or under $5,000, that they might be more benefited by paying the outstanding balance of, meaning they can achieve the house that they want by being able to borrow more money.

Andrew D.:

Just because it improves their cashflow.

Jenny C.:

Because it improves their cashflow. Yes. And I understand that student loans are interest free, but when you're talking of somebody only owes two or $3,000 on their student loan, can sometimes make an enormous difference to how much somebody can borrow, whether that student loans is there or not, but one thing I do say to clients is especially student loans or any other short term debt, we can get you approved subject to that debt being repaid. So I'm not saying when I say you initially straightaway go ahead and pay that debt. That's not what I'm saying, but that's something to just have at the back of their mind that there might be something to look to do, and we can get an approval conditional on that debt by being repaid. Yeah.

Andrew D.:

So my thinking on that would be the advice there is if clients are meeting with you then a great thing to know is what your student loan balances in advance for that meeting so it can be discussed. Just know what it is. You don't have to decide what you do with it yet. Just know where it stands.

Jenny C.:

Yes.

Jenny C.:

Yeah. And I remember saying what somebody wants and they were like, but I don't want to know what it is and I'm just like, really, sorry I need the amount for the form and they literally had just blocked it out of their mind. Like the money came out of their pay before they even received the pay and so they had no idea at all.

Andrew D.:

I can understand their feeling if you've been... You know, if it's something that you've had to just work through for years and it's been a long... It feels like a long time since you completed your degree then you can understand their approach.

Jenny C.:

That's right. Yeah, but be rest assured everybody has loan.

Andrew D.:

Cool. I think we've got one last tip here which is titled income is everything. What do you mean by income is everything Jenny?

Jenny C.:

What I mean by income as everything and actually I've had this happen quite a few times over the last few months, is that you could have an enormous amount of equity in your property. You could have lots of investments. You could have lots of money in the bank, but if you don't meet the banks income servicing test, you will not be able to get the finance approved.

Andrew D.:

Even if it's a fairly low, like even if it's about 30% of the purchase price.

Jenny C.:

Yeah. If you can't prove an income to service the amount of debt that you want, then it won't get approved and the reason why is because a bank is... And nor should any financier put anyone into a position where they can't afford to make the mortgage payments, and so even though you might say, "But I know my income doesn't show enough but I've got $50,000 in the bank that can make the mortgage payments for the next six months. So I don't need to worry that my income is lower at the moment." A bank won't look at it that way.

Jenny C.:

Especially one thing towards you might think, my plan is that I won't use it 50,000, but the bank hasn't got any control over what you do with the 50,000. So the next day you could go out and buy a brand new car with that money. So they have no control over that and debt is on the thought process as well. So yes, you could have a lot of... We call it asset rich and cash flow poor and there are a lot of asset rich people and that's great. It's fantastic. You've put yourself in a position where you might have a lot of assets and nominal or no debt at all, but if you're applying for finance, you need to be able to meet the banks income servicing [inaudible 00:32:57], so we need that income there. Yeah.

Andrew D.:

It's a really important point and a good one that you make about... You know, I can so imagine that being the defense that, Hey, well, I've got 50,000 in this smart shares account, I can pull it out anytime I want and pay the mortgage but the bank doesn't know that you're going to stick with that money. You could... Exactly like you said. You could go and use that to buy a new Tesla or you could or the price of those shares could drop dramatically and that money could disappear even without your influence whatsoever.

Jenny C.:

That's right, and we've all got a duty of care to not put people into financial situations, financial positions that are going to put them under undue hardship, and so that is where we need the income.

Andrew D.:

How much difference does potential income from a border make or from any sort of rent you're going to receive from the property, how much does that factor into the asset income calculation?

Jenny C.:

It does factor in... Well, obviously it factors on significantly if you're buying an investment property because most people can't afford to buy an investment property without factoring in rental income. In terms of borders, the banks, they will include border income, but there's quite a few restrictions around that and there's also restrictions on how many borders they will take into account. So you might have bought a five bedroom house and be renting up four of the bedrooms, but a lender might only include two of those borders because that is the policy and I've always been of the view of a few are reliant on renting out rooms, so you can pay your mortgage. Then you have to wonder are you extending yourself just a little bit too much.

Andrew D.:

Especially when interest rates are so low right now, and while they might stay that way, they could go up as well and so you would seem smart to be prepared for a situation where interest rates were 2% higher or 3% higher-

Jenny C.:

That's right.

Andrew D.:

... and could you handle that, if that happened?

Jenny C.:

Yeah, definitely. Actually going back to... If we'll go back to when I started in 1997. Just to horrifying everybody. The floating rate-

Andrew D.:

Take us to like college.

Jenny C.:

The floating rate was 12%. The fixed interest rates were double figures and I remember not long after I had started, the interest rate started to fall and somebody saying to me, gosh, any interest rate and single fuckers as a good rate and we're talking like 9.5%. So I mean, sure it's a long time ago, but if interest rates had been high.

Andrew D.:

I agree. Even when we bought ours first time in 2009, the rate was 8 or 9%, and that's not that long ago. It doesn't feel that long ago to me. For people buying now that can seem just unheard of that you will pay those sort of rates, but we're just here to remind you that it is possible and rates do change.

Jenny C.:

Yes.

Andrew D.:

So don't overextend yourself.

Jenny C.:

Yeah, and actually a good point with the interest rates is that... and I'm not going to go into each individual banks income servicing test, but because each individual bank has income servicing test, they use test rates. So they use rates that are higher than what interest rates are now, because they're building a benefit to make sure that you can afford it if the interest rates were higher. So I know I get a lot of people saying, but I've worked out the payments and I can do it, but it's like yeah, there's a difference between your calculation and the bank's calculation.

Jenny C.:

So just something to be remind and I think too, being prudent, using the lowest rate in the market at the moment, I don't think is good idea in terms of calculating your payments. Go on to sorted, that's where I normally do my mortgage calculations, sorta.org.nz and put on some higher rates, put on 5% and see what it comes out at because the interest rates not that long ago were 5% and make sure you're comfortable kind of at those levels.

Andrew D.:

And in a perfect world, you'd even take on a level of mortgage debt which allowed you to pay the balance off quicker than in the standard 30 years. You know [crosstalk 00:37:50], you'd want to use this time with low interest rates to say, okay, well, I'm going to put my mortgage on a 20 year plan or a 25 year plan and try and smash it out quicker than just borrowing the absolute max that you can. Two little questions just to tie off those previous subjects we were talking about, on the subject of border income, how do you ascertain what you could rent a room for and how do you show the bank debt? Like do you just look on Trabian and say, okay, well a room in Mount Victoria is renting for 200 a week, or do you need to take a letter to the bank from a friend of yours saying, "I agree to rent Jenny's room and her house when she buys it." How do you get to get through that?

Jenny C.:

Yep, that letter is the case Andrew. So yes, all of the lenders they want... And it's unfortunate because it's a chicken and egg then because sometimes [crosstalk 00:38:37]. Yeah, I can't get my boarder. I don't know who's going to board with me until I actually find the house, but the banks do want a letter from somebody that is saying yes, when you buy a house, I'm going to board with you and with it the way people end up getting boarders is they, we might all be floating together, they might be three of us in a flat and I say, "Andrew, I'm going to go and buy a house," and you're like, "Jenny, I'll come with you. When you buy the house, I'll come and flat with you as well," and so that's the way we can get the lender because you've already got these people that you're already basically living with them, are going to go along with you.

Andrew D.:

Perfect.

Andrew D.:

And on the subject of the asset rich, cash poor buyer. I presume if people were really short on income, but they only wanted to borrow a small amount of the value of the property. They could look at a second tier lender?

Jenny C.:

There are options for people, yeah, but it just wouldn't be through a mainstream bank, but there definitely are options. So if you are listening, just get in contact to discuss the options.

Jenny C.:

I just want to go back to... I was just thinking then when I said go into sorted and use a rate of 5%. That 5% is just a number I've just plugged out of the sky. You could put any interest rate that you want to because obviously like we said before, back in 1997 the floating rate was 12%, so yeah.

Andrew D.:

Be ready for anything.

Jenny C.:

Be ready for anything. Yeah. And I think just to add. So I've had a few people who've contacted me... This is slightly going off tangent, where they've locked onto fixed rates and the rate might be low now. As I reflect back on the thought that you put on to that, that you made a decision at the time that you felt comfortable with and you just kind of have to live through it.

Andrew D.:

Yeah. We talked about this last time we caught up and I think it's such a good point. The time when you should worry about interest rates is when it's time to renew. That's the only time that's it is amended.

Jenny C.:

That's right. Yeah.

Andrew D.:

Cool. Jenny, that is a awesome amount of info and I'm really excited to share that out to all our listeners. Thank you so much for taking the time to jump in the studio on this beautiful sunny day and record all those tips.

Jenny C.:

You know it's been really good and I really do appreciate Andrew. You getting me in to talk about this. I think information is key. Knowledge is key. If you want to find out more information, if you want help then just get in contact and we're here to help.

Andrew D.:

So I'll put Jenny's contact details on the show notes and you can also just Google her as well. You can find her on Facebook and what's your phone number just quickly just in case someone's going to give you a call straight away.

Jenny C.:

It is (027) 244-6686.

Andrew D.:

Perfect. Thanks Jenny and thank you everyone for listening in the goal of this podcast is to make it easy for people to find the information they need to make better decisions. That's what it's all about. If you found this information useful, we would really, really appreciate it if you could jump online and give the podcast a review. The easiest way to do that is if you listen to it through Apple podcast. You can jump on there and go to the show itself and give it a review or just on Facebook or Google is awesome as well and I'll put links to those in the show notes. Thank you so much for your help.