



Understanding your Borrowing Capacity

Deposit

- 1 How much cash and / or equity do you have available to put towards your next investment property purchase? If you believe you have equity in your existing properties (ie. the current loan against the property is <80% of the value of the property), ask your Mortgage Broker to get your properties valued.

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- 2 Based on your cash/equity available what is the maximum purchase price for your next investment property (eg. If you are looking to borrow 80% on your next investment purchase to avoid LMI, then divide the cash/equity you have available by 25% to determine maximum purchase price of your next investment property purchase based on deposit).

Available deposit

Maximum purchase price

\$ / 25% = \$

Credit History

- 3 Sit down with your Mortgage Broker and review your Credit Report (ie. that you got from completing the exercise in Chapter 12). If you have any negative credit history you are best being upfront with your Mortgage Broker about this so that they can find the most suitable lender for you.





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Servicing

- 4 What is your maximum borrowing capacity based on your serviceability (ie. your income and expenses? Sit down with your Mortgage Broker and calculate how much you can afford to borrow for your next Property Investment Purchase.

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- 5 What can you do to increase your borrowing capacity from a serviceability perspective? Eg. Can you reduce your credit card limits or pay down your car/personal loans? Speak to your broker about what you could do to increase your borrowing capacity.



Overall

Based on Deposit, Servicing and Credit History, what is the maximum purchase for your next Investment Property?

\$

