EXPLAINER

Borrowing Power Guide

Borrowing power is not one number — it changes from lender to lender based on how each one reads your income, expenses and existing commitments.

What affects borrowing capacity

Every lender applies its own policy on income, expenses, debts and buffers. The same applicant can see borrowing power vary by $150,000 or more between lenders — which is why lender choice matters as much as the rate.

Income

PAYG base income is the easiest to use. Overtime, bonuses, commissions, rental income and government payments are usually shaded (often 80%) and need a track record — typically 6–12 months. Self-employed applicants are assessed on 1–2 years of tax returns or, with some lenders, alternative documentation.

Living expenses

Lenders compare your declared living expenses to the Household Expenditure Measure (HEM) benchmark and use the higher of the two. Trimming discretionary subscriptions before you apply can lift capacity noticeably.

Existing debts

Credit card and buy-now-pay-later limits are assessed on the limit, not the balance. Personal and car loan repayments are counted at the full contractual amount. Reducing or closing unused facilities is one of the quickest ways to lift borrowing power.

Credit history

Lenders review your comprehensive credit report — repayment history, defaults, enquiries and account conduct. Multiple recent credit enquiries can hurt your score, so we shortlist lenders before submitting anywhere.

Ways to improve borrowing power

- Reduce or close unused credit card limits
- Pay down or refinance personal / car loans
- Extend the loan term (e.g. 25 → 30 years)
- Choose a lender whose policy suits your income type
- Apply jointly with a partner where appropriate

- Clean up subscriptions and BNPL before applying

Ready to talk it through? Book a free, no-obligation consultation with Gemma at www.topsoulfinance.com.au or call 0438 285 413.