

Buying A Property Soon?

Our biggest question above all others is: what is considered genuine savings?

We have helped hundreds of people purchase property from first home buyers to investors - and everyone in between.

We wade through the range of loans available, help you understand the extensive legal jargon, prepare the paperwork - all while matching you with at least three finance solutions that best suit your needs.

Even in our current environment we are still helping people buy and invest in property.

If there is one thing that causes confusion among buyers above all others, it is the 'genuine savings' requirement.

Here is everything you need to know about genuine savings and how it can impact on your ability to borrow.

Genuine savings – what and why

Although mortgage terms vary from lender to lender, generally speaking as part of the deposit most lenders require applicants to show at least 5% of the property's value in 'genuine savings'.

Why?

It's pretty straightforward really - the lender wants to see evidence of your good financial habits and that you have the capacity and discipline to set aside savings on a regular, ongoing basis (so when you have a mortgage, they can trust you will have the capacity and discipline to make the required payments on time).

What is considered genuine savings?

1. Savings - accumulated over three months

A savings account that shows regular deposits and a rising balance over at least a three month time period is considered genuine savings and shows an ability to meet regular mortgage repayments.

2. Term deposits

Money held in a term deposit for at least three months is considered genuine savings.

3. Shares or managed funds - held for three months

Starting to see a pattern here? Yep, you got it.

Just like savings accounts or term deposits, shares and managed funds that have been held for the golden three month period are

also considered genuine savings.

4. Equity in real estate

This one varies widely between lenders, so talk to us to understand all the criteria.

Some lenders will consider equity in another property as proof of genuine savings depending on how long the property has been owned and the level of equity held.

5. Rental records

This is another one that varies widely between lenders, so it pays to understand the difference. It could mean the difference in obtaining finance... OR NOT!

Most lenders will view regular rental payments over a period of at least three months as genuine savings.

This does make sense, considering your ability to pay rent on a fortnightly or monthly basis demonstrates an ability to meet regular mortgage repayments.

6. Salary sacrificing under the First Home Super Saver Scheme (FHSSS)

The FHSSS allows people to enter into a salary sacrifice arrangement with their employer to make voluntary super contributions.

These contributions are also considered genuine savings by many lenders.

What isn't considered genuine savings?

There are a lot of specific definitions, but one easy rule of thumb is that any sudden lump of cash that miraculously appears in your account is not considered genuine savings.

These include:

- gifts
- inheritance
- savings plans
- tax refunds
- bonuses
- proceeds from the sale of a car or other assets
- First Home Owner Grant (FHOG)
- borrowed funds such as personal loans or credit advances
- developer's or builder's rebates/incentives
- lump sum deposits (there are some exceptions to this such as proceeds from the sale of property)

How can we help?

Many borrowers feel the genuine savings requirement is just one more roadblock with lenders.



We understand your frustration. However, the genuine savings requirement is part of an overall system in place to ensure you are not borrowing more than you are able to repay.

Our job is not ONLY finding the appropriate finance for you, but to help establish your overall finance plan that includes:

- preparing your loan application and substantiating your genuine savings,
- finding a range of suitable lenders who are most likely going to support your loan application,
- submitting your application and following through to obtaining loan approval,
- working through and resolving (on your behalf) any challenges along the way in seeking your loan approval, and most importantly
- being the conduit between you and the lender to ensure we obtain the financial outcome you are seeking.

Talk to us early so we can help prepare an outstanding application with you.



Call us today for a copy of the 'Loan Documentation Checklist'!