

# Obtain finance like a professional



This month **Mark Taylor** talks with **Stephen McClatchie** on how professional property investors obtain finance from the banks.

**S**tephen McClatchie is the Founder and Director of Loans Australia and has overseen the writing of more than \$650 million dollars in mortgage finance over the last 15 years. McClatchie has completed numerous academic qualifications, addressed audiences of up to 1,800 people and combines a unique blend of academic excellence and strategic financing.

**MARK TAYLOR:** Property can be a great investment, but how can people be strategic about their finance strategies?

**STEPHEN MCCLATCHIE:** The very first step is to assess how much you can afford to pay for the property, how much you can afford to borrow and how you are going to cover any cashflow shortfall. Your cashflow shortfall is the difference between the rental income received and the interest payable on the loan plus any other costs. You could even consider setting up what I call a 'buffer' account that can be used when cashflow is tight or you want to put down a deposit on another property.

**MT:** What should people do to ensure they have the best chance of being approved?

**SM:** There are many things but some of the important ones are first, pay all your current debts on time so that you can show a positive payment record. Second, don't apply for multiple loans at once. You may think you are playing one bank off against another but in fact multiple applications reduce your 'credit score', which is the banks way of determining whether or not to give you the loan. Third, fully disclose any past financial difficulties and current debts to your finance broker. Finance brokers are very good at finding lenders to suit an applicant regardless of what may have happened in the past.

**MT:** How has the global economic crisis impacted those looking to obtain finance?

**SM:** The impact has been enormous. Many lenders have reduced the amount they are prepared to lend against a property. For an investor this means they need to come up with a bigger deposit. Since the global economic crisis many smaller lenders have left the market leaving the Big 4 Banks to completely dominate. Overall there is less competition and less choice for the consumer. Clients that easily obtained finance two years ago are now being constrained by lending policies and it is harder to get approved for a loan. That is not to say that it's impossible, it's just that the borrower needs to be more strategic.

**MT:** Why do lenders vary so much in how much they will lend to an individual applicant?

**SM:** Each lender has their special way of assessing how much you can borrow. They differ in how and what income can be used to pay back the loan, how they treat rental income and any tax benefits you may receive. They also differ in how they view your current debts. As a mortgage broker I am strategic about which lender I go to for obtaining finance for the first investment property, then the second then the third. The reasons for this are complex but it has to do with whether mortgage insurance is involved, the number of investment properties involved and the reliance on rental income. This is what I call strategic financing.

To find out how Stephen can help you finance your next property sooner visit [www.LoansAustralia.com.au](http://www.LoansAustralia.com.au) and while you are there access your FREE real estate investment strategy reports.



## FAST FACTS

*Mark Taylor, our regular property columnist, is Managing Director of 'Keys To Success Club', a must-have resource for anyone serious about property. [www.keystosuccessclub.com/property](http://www.keystosuccessclub.com/property)*