



If you're lax in paying your everyday bills now, that can come back to bite you when you front up for your first home loan, according to finance brokers

HAVE you ever forgotten to pay your mobile phone, rent or electricity bill? Big mistake, if you're in the market for your first housing loan, according to the experts, who say that it's especially important to be diligent about paying your bills on time.

Finance brokers say many first homebuyers are unaware that minor defaults on mobile phone and household bills can affect their ability to qualify for housing finance.



BEWARE BAD BILLS

McKinley Plowman finance partner Paul Moran says that, given first homebuyer loan applications are treated so stringently, it's important to ensure the home loan application is as strong as possible.

Paul says while all homebuyers can miss out on a loan if there is an adverse credit report, first homebuyers – whom lenders consider the most likely group to default – are more closely scrutinised.

Paul says many banks will automatically reject a first homebuyer application for any default above \$500, while others have a higher limit of \$1000.

He says there are still some financiers who will agree to lend to borrowers with defaults or who have been declared bankrupt, but the client always pays for this through a higher interest rate.

"First homebuyers need to be mindful that

defaults in credit cards, personal loans, rent payments or mobile phone bills can come back to haunt them," Paul says.

"It is understandable that banks want clients with no history of default on other debts and loans and maintaining a clear credit history is a key to a positive/smooth loan application process."

Resolve Financial Solutions general manager Don Crellin says credit reports, which include records of unpaid utility bills, are becoming an increasing part of lender assessment of loan applications.

Don says the most common credit default he sees for first homebuyers relates to mobile phones. "The simplest advice I can offer is to pay your bills on time, no matter how small or insignificant you may think they are," Don says. "The ramifications when applying for a home loan are significant."

Sage Financial Solutions director James Pibworth says he continually emphasises the importance of having a clean credit file when he assists first homebuyers.

James says he advises clients to ensure they immediately attend to any reminders for credit card or mobile phone bills.

"Generally most companies would have to write to you on several occasions and may also instruct debt collectors prior to registering a default on their credit file," James says.

"However, some companies are very quick to do this.

"So, pay your bills on time."

James says in some situations a mortgage broker may try to help a homebuyer who has minor defaults – of under \$500 – by providing additional written support with their loan application.

Evelyn Duffy



Paul Moran



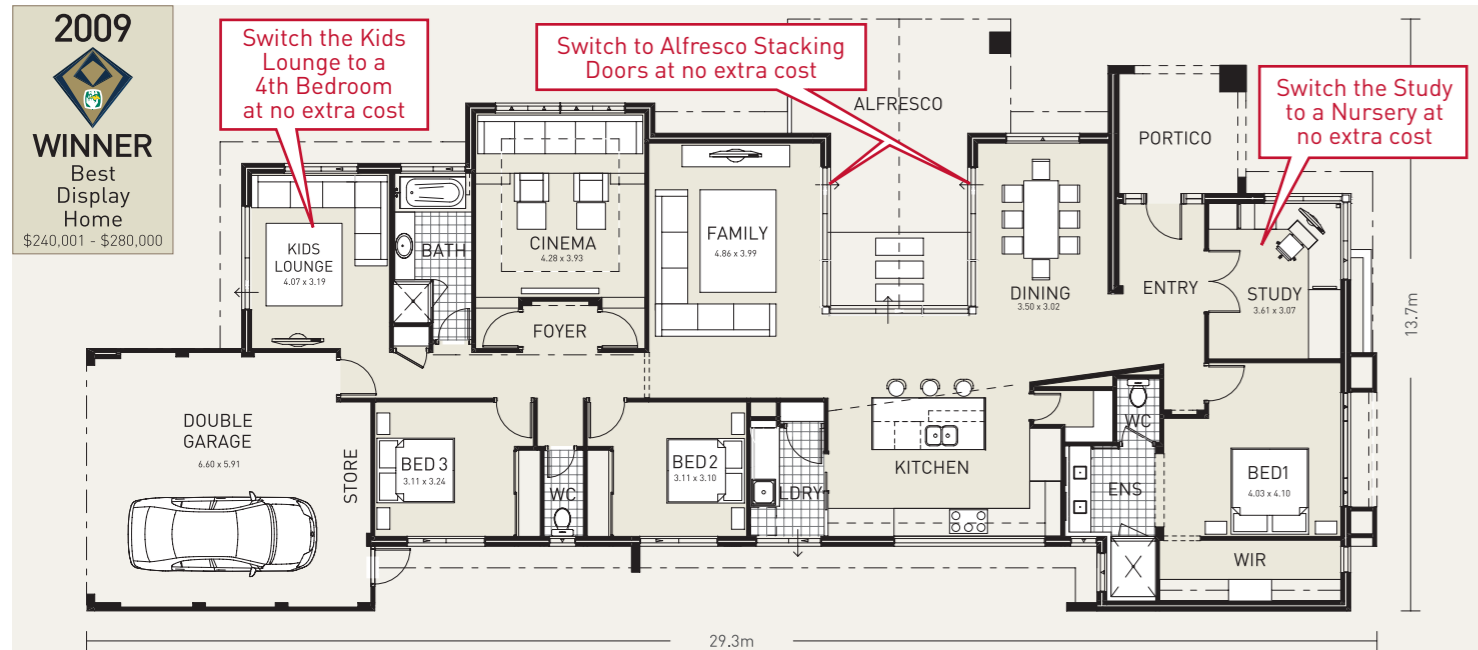
Don Crellin



James Pibworth

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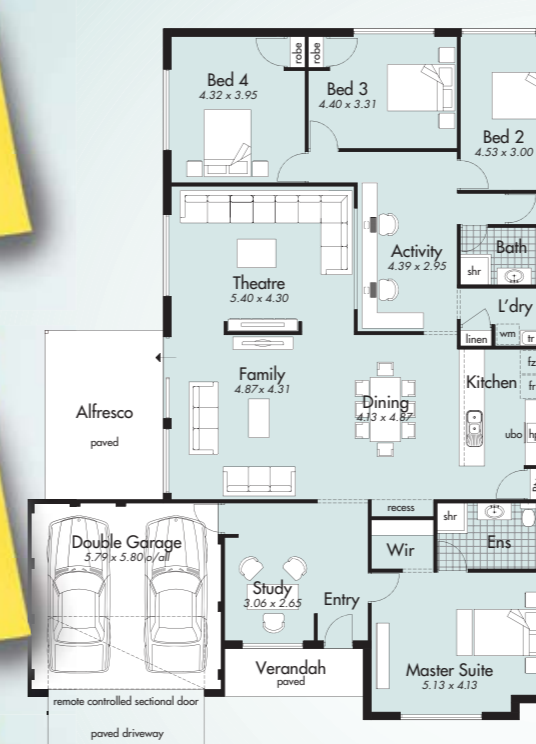
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