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Top five reasons borrowers are rejected

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Lending criteria has been tougher in the past 12 months due to the global financial crisis, deflating property prices and increasing the unemployment rate, according to MyRate.com.au managing director Kevin Sherman, who recently revealed his top five reasons why borrowers were being rejected.

Topping the rejection list, said Sherman, was that borrowers couldn't demonstrate they'd saved a five per cent deposit.

"These days I'd go so far as to say it's impossible to get a loan without at least a five per cent deposit," he said.

"This is a significant change, as a few years ago consumers didn't even need a deposit for some loans."

Second on the rejection list was that the borrower had servicing issues, whether they were still on a probationary period in a new job or not on a steady income.

Third on the list was that the borrower couldn't supply enough funds to cover at least a 10 per cent deposit for new purchases, or 15 per cent of the property value for refinance.

Fourth on the list was issues with the chosen property.

"There are certain types of properties that lenders might now consider unsuitable," said Sherman.

"This could be because the apartment you want to buy is in a giant complex of similar flats which makes the lender concerned it will be hard to sell should they need to."

"A property may be a little run down or be valued at a lower price than expected, which may affect the loan amount the lender will agree to."

And fifth on the list involved the issues with the borrower's credit file.

"It could be that you have been shopping around for finance and, as such, your credit file is showing too much activity," said Sherman, "something which is viewed by lenders as a negative as they may think you were denied finance by various providers."

Sherman advised that while lending policies have tightened, the most effective way of ensuring success is to be organised and over prepared.

"You'll come across as a great candidate if you can demonstrate your ability to repay to the best of your ability," he said.

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