GAIN HOME LOANS

FREE HOME LOAN GUIDES / BORROWING

GUIDE 01

Unlock Your Full Lending Potential

Understand the assessment. Prepare a stronger application. Choose repayments you can live with.

- How lenders assess your income
- What equity can and cannot do
- Practical examples and preparation tools



Know the assessment.

Make the next decision clearer.

AUSTRALIAN EDITION | RESEARCHED 13 NOVEMBER 2026

PRACTICAL EXAMPLES + CHECKLISTS

01 / BORROWING

A stronger application starts with the right question

The useful question is not simply "How much can I borrow?" It is "What is limiting this application, and what would improve it without making my finances fragile?"

A borrower can have a high salary but limited monthly surplus. Another can own an expensive home but lack income to support another loan. A third may have suitable income that is poorly documented. Each problem needs a different response.

Start here if you want to...	Read
Understand the lending maths	Pages 3-4
Make your income easier to assess	Pages 5-7
Review debts, expenses and security	Pages 8-11
See the numbers in context	Pages 12-14
Prepare and compare your options	Pages 15-18

Keep two budgets

Your lender assesses eligibility under its policies. You set a household limit that leaves room for maintenance, time off work, family changes and the things you value. Passing the first test does not mean the second test is comfortable.

How to use the examples

All scenarios are fictional. Rates, repayment assumptions and income treatments are illustrations, not current offers, live borrowing-capacity results or approval promises.

General educational information for Australian residential borrowers, researched 13 November 2026. It does not consider your circumstances and is not personal credit, tax, legal or investment advice. Lending criteria and government settings can change. Consult your broker and relevant advisers before acting.

Sources: B04, B05. See pages 19-20.

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Serviceability is a cash-flow test

Serviceability means the lender is satisfied you can meet repayments after tax, living costs and other commitments, including under its assessment assumptions.

A simple way to understand the calculation is: accepted income after tax, less assessed living expenses, less assessed debt commitments, equals the surplus available for the proposed loan. The lender applies its own rules to each input. A salary figure alone cannot produce a reliable borrowing limit.

The assessment rate is not your contract rate

APRA requires banks to apply a serviceability buffer of at least 3 percentage points above the relevant mortgage rate, subject to its framework. Lenders may also use floors and stricter policies. Non-bank policies need separate checking. At an illustrative 6% loan rate, a 9% assessment rate shows why the bank tests a higher repayment than you initially pay.

Same $600,000 loan, 30-year principal-and-interest term



These are standard monthly amortisation calculations, rounded to the nearest dollar, with no fees or offset. The 9% figure illustrates stress testing; it is not a forecast. Actual lender calculations can differ.

The practical question

Ask: which input is constraining my result - accepted income, living costs, existing commitments, loan term or the proposed property? A useful answer identifies the bottleneck before proposing changes.

Sources: B01, B02, B18. See pages 19-20.

03 / BORROWING

Three ratios that answer different questions

LVR, DTI and serviceability are connected, but solving one does not automatically solve the others.

Measure	What it tests	Simple illustration
LVR: loan-to-value ratio	Debt compared with the lender's accepted property value	$640,000 loan / $800,000 value = 80%
DTI: debt-to-income ratio	Total relevant debt compared with annual gross income	$720,000 total debt / $120,000 income = 6 times
Serviceability	Ability to meet assessed repayments after costs	Two households with the same income can have different expenses

Why the distinction matters

A larger deposit usually improves LVR. It also reduces the loan you need, but it does not change how the lender treats your income. Paying down a costly debt may improve cash flow while leaving less cash for your deposit. Test the combined effect before moving money.

From February 2026, APRA limits the share of banks' new lending at DTI of six or more to 20% of new owner-occupier lending and separately 20% of investor lending. Specified exemptions include qualifying new dwellings and owner-occupier bridging loans. This is a portfolio limit, not a universal six-times borrowing entitlement or an automatic ban above six.

Do not reverse-engineer an approval

Income multiplied by six is not your approved loan amount. Existing debts, lender definitions, expenses, credit history, security and policy still matter. Have the broker calculate the actual position for the proposed lender.

Sources: B03, B05. See pages 19-20.

04 / BORROWING

Show the income you actually earn

For employees, the key questions are how much income is reliable, how long it has been received and what evidence supports it.

Separate the components

Base salary, overtime, allowances, bonuses and commission should not be bundled into one unexplained annual number. Provide payslips showing year-to-date earnings and ask whether the period is representative. A bonus paid once near the start of a year can distort a simple annualised figure.

Income item	Useful evidence	Question to resolve
Base pay	Recent payslips, salary credits, employment terms	Has a pay rise started, and is it ongoing?
Overtime or allowances	Payslips over a representative period	Is it regular, variable or a reimbursement?
Bonus or commission	Payment history and employer explanation	What history is required, and how much counts?
Second job	Separate payslips and work history	Is the combined workload sustainable?

Income shading means counting less than the full amount of a variable income source. One lender may accept a different portion, history or type of evidence from another. Do not assume a single broker calculator result represents every lender.

Prepare a one-page explanation

List each income source, its frequency, when it began and where it appears in your documents. Explain recent changes honestly. A clear application helps the assessor understand the evidence; it does not replace that evidence.

For parental leave, probation or a new role, ask the broker about the specific policy before relying on future pay. An employer letter may help explain the position, but it cannot guarantee acceptance.

Sources: B06, B09. See pages 19-20.

05 / BORROWING

Casual and contract work need context

Variable work is not automatically unacceptable. The challenge is showing the history, continuity and costs behind the headline earnings.

A day rate is not an annual salary

A contractor invoicing $900 a day does not necessarily earn $900 multiplied by 260 days. Allow for unpaid leave, gaps between contracts and business costs. GST collected is not personal income. A company invoice is also different from PAYG salary paid by an agency.

Work arrangement	Prepare	Avoid assuming
PAYG fixed-term contract	Contract, payslips and continuity of employment	The contract end date will be ignored
Casual employee	Earnings history and regular salary credits	One unusually busy month proves annual income
Sole trader or company contractor	Tax records, financial statements and current contracts	Business turnover is spendable household income

Illustration

At $900 a day for 220 paid days, annual invoices before GST are $198,000. If business expenses are $28,000, profit before personal tax is $170,000. This arithmetic is not the lender's accepted income: its policy, historical results and current evidence still determine the amount used.

Ask before changing employment

If you are about to leave a permanent job for contracting, tell the broker before applying or exchanging contracts. Timing and continuity can affect the evidence required, even if the new work pays more.

For rental income, provide the lease, agent statement or acceptable rental assessment. Include the associated mortgage and property costs too. Counting rent while omitting its expenses creates a misleading picture.

Sources: B01, B09. See pages 19-20.

06 / BORROWING

Self-employed income without double counting

Business profit, director salary, distributions and personal income may be connected. They are not automatically four separate sources of borrowing power.

Start with the business structure and ownership. A sole trader's results differ from a company or trust. The assessor may need personal and business tax returns, notices of assessment, financial statements, BAS, business liabilities and evidence that current trading supports historical results.

What an add-back means

An add-back is an adjustment a lender may allow when assessing income. A non-cash expense or genuinely non-recurring cost may be treated differently from a recurring cash expense. Eligibility, limits and supporting documents vary. It is not permission to remove normal business costs from the application.

Check	Why it matters
Director salary	If already deducted from profit and counted personally, do not count it twice.
One-off expense	Explain what happened, the amount and why it will not recur.
Depreciation	Tax treatment does not determine lender treatment; check policy.
Business debt	Include the commitment or account for it as policy requires; do not ignore it.
Recent growth	Explain whether higher revenue is sustainable and whether costs rose too.

Build a reconciliation

Ask your accountant for a bridge from the tax records to the proposed assessable income. The broker then tests each adjustment against lender policy. Keep the reconciliation, rather than submitting a single unexplained "adjusted income" figure.

A sharp fall in trading, overdue tax or drawings above sustainable profit needs explanation. Older strong results do not make newer information irrelevant.

Sources: B08, B09. See pages 19-20.

07 / BORROWING

Small commitments can have a large effect

Lenders look beyond the amount you owe today. Available credit, required repayments and the remaining term of a debt can all matter.

Commitment	What to check before applying
Credit cards and store cards	Record every limit, even on cards paid in full. A zero balance does not mean a zero assessed commitment.
Car or personal finance	Obtain the payout figure, required payment, end date and any balloon.
HELP debt	Provide the current balance and repayment position. Treatment is lender-specific; avoid old online rules of thumb.
Buy now pay later	Disclose accounts, limits and repayment history when requested.
Other mortgages and guarantees	List ownership, balances, limits, repayments and any contingent obligations.

If you reduce a limit or close an account

Confirm the change with the provider and retain evidence. Redirect regular payments first. Ask the broker how and when the revised commitment can be recognised; credit-report updates may not be immediate.

Paying off a debt with savings has two effects: it may reduce assessed commitments, but it also reduces cash available for the purchase. Request a before-and-after comparison that includes settlement costs and your reserve.

Check your own credit report

Review listed accounts and repayment history early. Ask the credit provider or reporting body to correct genuine errors. Do not make several speculative applications to see who says yes; agree on an application strategy first.

Sources: B05, B06, B10. See pages 19-20.

08 / BORROWING

Your spending needs an honest baseline

A lender's expense benchmark is a cross-check. It is not a spending target to copy into an application.

Build a household view from a representative period of actual transactions. Separate everyday living costs from debt repayments and avoid counting the same transfer twice. Annual and quarterly bills still belong in the monthly budget.

Expense	Annual amount	Monthly equivalent
Insurance and registration	$3,600	$300
School or childcare costs	$9,600	$800
Utilities and communications	$4,800	$400
Maintenance reserve	$2,400	$200

These are fictional amounts to show the method: divide an annual cost by 12, or multiply a weekly cost by 52 and divide by 12. Do not treat four weeks as an average calendar month.

Separate a real change from a temporary pause

If rent will end after you move in, explain the timing. If childcare will change, support the new figure. If you stop all discretionary spending for one month but intend to resume it after settlement, that month is not a reliable ongoing budget.

Budget for owning the property

Add rates, insurance, repairs and strata levies where relevant. Keep money for annual bills and emergencies. An application should reflect your likely life after settlement, not just the cheapest month you can produce.

Lenders have different expense categories and benchmark processes. Ask whether an expense is included in the benchmark or assessed separately, particularly for schooling, insurance and investment-property costs.

Sources: B07, B04. See pages 19-20.

09 / BORROWING

Equity is security, not a cash machine

Equity is the difference between a property's value and the debt secured against it. Accessing some of it usually involves credit approval for additional borrowing.

Illustrative calculation	Amount
Lender-accepted property value	$1,000,000
Existing mortgage balance	$550,000
Total equity	$450,000
80% of accepted value	$800,000
Less existing mortgage	$550,000
Indicative headroom at 80% LVR	$250,000

The $250,000 is a security calculation, not an approved cash release. It ignores fees, other secured facilities and lender restrictions. The bank still needs to accept the purpose, property and repayment capacity. Some loans use other LVR limits; 80% is an illustration, not a legal entitlement.

Value can move the answer

If the lender values the same property at $900,000, the illustrative headroom becomes $720,000 less $550,000, or $170,000. That is $80,000 less even though your income and existing balance are unchanged.

> **Borrowed equity still needs repayments**
>
> Using a home-equity loan as an investment-property deposit creates a debt for that deposit as well as the new property loan. Include both in your cash-flow assessment.

If the proposed borrowing passes the security test but fails serviceability, a higher valuation alone will not solve it. Revisit the total debt, purchase budget, verified income and household surplus.

Sources: B17, B01. See pages 19-20.

10 / BORROWING

A useful structure solves a real problem

Loan structure affects cash flow, flexibility and future decisions. It should be chosen for the purpose of the borrowing, not because a structure sounds sophisticated.

Choice	Useful question
Principal and interest or interest only	What happens when the interest-only period ends and the principal must be repaid over the shorter remaining term?
Separate loan splits	Can different purposes or rate types be tracked clearly, and what are the fees and repayment conditions?
One property securing several facilities	Which debt must be repaid or reassessed when that property is sold?
Several properties securing one facility	Can a property be released independently, and what valuations or debt reductions will be required?
Family guarantee	What is the guarantee limit, whose property is exposed and how can the guarantee later be released?

Using multiple properties as security for a loan is often called cross-collateralisation. Draw a simple map of each loan and each property securing it. Separate loan accounts do not, by themselves, prove that the securities are independent; confirm the actual mortgage and guarantee documents.

A guarantee is not extra income

Additional family security may help the deposit or LVR position, but it does not make unaffordable repayments affordable. Guarantors need their own legal advice and a clear understanding of the risk.

Before choosing interest-only repayments or a longer term, compare lifetime interest and the future repayment step-up. A lower payment today may simply move the burden into later years.

Sources: B12, B14, B17. See pages 19-20.

11 / BORROWING

Case study 1 Variable income

Meet Maya, an employee with a $100,000 base salary, $20,000 annual bonus and $15,000 overtime. These figures alone do not establish her borrowing capacity.

Illustrative assessment	Base	Variable income counted	Total
Model A: 80% of both	$100,000	$28,000	$128,000
Model B: 50% of both	$100,000	$17,500	$117,500

These two models are invented to demonstrate sensitivity, not the current policies of named lenders. The same documents produce a $10,500 difference in accepted gross income before tax, expenses and repayment calculations.

What would make her application clearer

Maya separates base earnings from overtime on the payslips and provides a bonus history. She explains whether the recent overtime reflects a temporary project or a normal work pattern. The broker checks each lender's evidence requirements and sustainable-income rules before choosing where to apply.

What would not help

Calling the entire $135,000 "salary" does not make it fixed income. Nor can a projected bonus be treated as already earned without the lender accepting that basis.

The decision to make

Compare the lenders that fit the evidence, then compare repayments, fees and features. A larger theoretical borrowing limit is useful only if the actual loan and household budget also work.

Maya's separate personal check is to budget without relying on the entire bonus to meet ordinary monthly repayments. She can decide what buffer feels appropriate even if the lender accepts more income.

Sources: B06, B09. See pages 19-20.

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Case study 2 Business income

Meet Daniel, the sole owner of a company. Its accounts show $85,000 profit before company tax, after paying him a $60,000 salary.

Illustrative reconciliation	Amount
Business profit before tax	$85,000
Director salary already expensed by the business	$60,000
Combined amount before policy adjustments	$145,000
Potential depreciation adjustment	$5,000
Potential verified non-recurring expense	$3,000
Candidate amount to assess, not approved income	$153,000

The final two adjustments are hypothetical. The broker must establish whether the lender permits them, whether any cap applies and whether the records support the treatment. Ownership, tax, retained working capital and ongoing business commitments also matter.

The double-counting trap

If an application includes $145,000 as combined business-and-salary income and then adds Daniel's $60,000 salary again, it overstates the starting position by $60,000. A reconciliation makes this visible.

The sustainability test

Daniel provides earlier financial results and current trading evidence. If the latest profit came from one large contract that has ended, the assessor needs that context. If the business has a loan, its treatment must be reconciled with the income adjustments.

The useful outcome

An accurate, well-supported assessment is more valuable than the highest-looking number. Ask the broker to explain which adjustments were accepted, which were excluded and why.

Sources: B08, B09. See pages 19-20.

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Case study 3 Equity and a car loan

Meet Priya and Sam. Their home has substantial equity, but a car repayment leaves their monthly budget tight. They are considering consolidating the car debt into their mortgage.

$30,000 debt illustration	Payment / month	Total interest
9% over 5 years	$623	$7,365
6% over 30 years	$180	$34,751

Both calculations assume monthly principal-and-interest repayments, an unchanged rate and no fees. The lower-rate option costs about $27,386 more interest if repaid over the full 30 years. The rate improves; the repayment period becomes much longer.

What the comparison should include

They ask for a separate short-term repayment plan for the car portion, any refinance costs, the effect on their home security and the total interest. They also compare paying out the car with savings, keeping enough reserve for repairs and household emergencies.

A consolidation may change the lender's serviceability result. That does not prove it is the best overall choice. Refinancing unsecured debt against a home also puts the home behind that debt.

> **Keep the debt's end date in view**
>
> If you consolidate, consider a separate split and a repayment schedule that clears the shorter-lived purchase over a sensible period. Confirm that extra repayments are allowed and that the household can maintain them.

The same principle applies when refinancing an existing mortgage: compare the remaining term with the new term. A smaller required repayment can conceal a longer and more expensive loan.

Sources: B13. See pages 19-20.

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Prepare before you need an approval

An organised application makes uncertainty easier to resolve. It does not remove the need for lender checks.

When	Useful work
Early preparation	Check credit reports; list income, debts and expenses; identify unusual employment, business or property issues.
Before a lender is selected	Agree on the purchase budget and reserve; obtain an evidence checklist; compare the policies relevant to your circumstances.
Before submitting	Reconcile the figures; explain large transfers or recent changes; provide complete documents securely.
Before committing to a purchase	Read the approval conditions and expiry; check the property and valuation process; obtain legal advice on the contract.
Before settlement	Tell the broker about changed income, new debt or other material changes; finish loan and settlement documents on time.

Create a short application brief

Write down what you want to do, the approximate timing, how much cash you have, which loan features matter and any planned life changes. Attach an index of the evidence. An assessor should not have to guess why two documents show different figures.

Explain inconsistencies early

A recent pay rise, a one-off business expense or a debt that has just been closed may have a reasonable explanation. State it and supply the evidence, rather than hoping it will be overlooked.

Use a secure document channel recommended by your broker. Keep a copy of what was submitted and the assumptions used. If an option changes, ask which part of the assessment changed with it.

Sources: B09, B16. See pages 19-20.

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Compare more than the headline rate

A useful loan comparison starts with the same loan amount and repayment term. Otherwise the cheaper-looking repayment may simply reflect different assumptions.

Compare	Ask for
Interest and fees	Rate, annual/package charges, application and discharge costs, and any fixed-rate break costs.
Loan term	A comparison using your intended repayment period, not automatically a fresh 30 years.
Flexibility	Extra repayment limits, split options, redraw rules and offset availability.
Evidence and fit	Why the lender suits your income and property, and what conditions remain.
Future changes	What happens if you refinance, sell one property, take parental leave or want to release a guarantor?

An offset has a break-even point

Suppose an offset feature costs an extra $395 a year, with no rate difference, and saves interest at 6%. Its simple fee break-even balance is $395 / 0.06 = about $6,583 held on average. If the offset product also has a higher rate, include that extra cost too. This is a simplified illustration, not a product recommendation.

> **Get the comparison in writing**
>
> Ask for the assumptions, total relevant costs and the reason the suggested loan meets your needs. Do not confuse an advertised rate with the rate or conditions you have actually been offered.

After settlement, check that any offset account is linked to the intended loan. A feature that is open but not correctly linked may not deliver the saving you expected.

Sources: B14, B15. See pages 19-20.

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Your borrowing preparation worksheet

Complete this before your next broker conversation. Use figures you can support and mark estimates clearly.

Your position	Your figure or note
Cash available, before buying costs	_____
Cash reserve to keep after settlement	_____
Income by source and evidence held	_____
Current loans, limits and required repayments	_____
Monthly living costs, including annual bills	_____
Expected owner costs after moving	_____
Comfortable repayment at today's rate	_____
Comfortable repayment if rates rise	_____
Upcoming work or family changes	_____

Four questions for the broker

- ☐ Which part of my application is most likely to limit the result?
- ☐ Which evidence or policy difference is material, and why?
- ☐ What changes improve the overall position after fees, cash reserves and purchase costs?
- ☐ What must still happen before I can rely on the finance for a particular property?

Make the next step specific

Leave with an action, an owner and a date: for example, provide the updated employment contract; obtain a debt payout; or confirm the property restrictions before making an offer.

Sources: B04, B09. See pages 19-20.

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Know the terms and make a decision

You do not need to speak like a lender. You do need to understand the terms that change your options.

Term	In plain English
Serviceability	The lender's assessment of your ability to meet repayments.
Assessment rate	The rate used in that test; it may be higher than the loan rate.
LVR	Loan amount divided by the lender's accepted property value.
DTI	Relevant total debt divided by annual gross income under the applicable definition.
Income shading	Counting only part of an income source for assessment.
Add-back	A supported adjustment a lender may allow in business-income assessment.
LMI	Insurance protecting the lender, usually paid for by the borrower.
Security	An asset the lender can enforce against if the debt is not repaid.
Conditional approval	An approval subject to stated checks or requirements.

A useful outcome

You understand your comfortable repayment, the lender's likely constraints, the evidence required and the trade-offs between suitable options. Borrowing more is only valuable when the purpose and repayments make sense.

Your next conversation with Gain Home Loans

Bring the worksheet on page 17 and ask for a review of your income, commitments and proposed property. Use the contact or booking options on the Gain Home Loans website where you downloaded this guide. Your broker can explain the lenders and products available through their panel and any relevant fees.

Sources follow. Hypothetical calculations are provided for education; actual loan terms, approvals and costs must be confirmed in writing.

Sources: B11, B16. See pages 19-20.

Sources and further reading

Official guidance and primary sources. Click a source title to open it. Source codes on each page identify the relevant material.

B01 APRA | APG 223 Residential Mortgage Lending
Assessment principles, income verification and financial commitments.

B02 APRA | APS 220 Credit Risk Management
Minimum serviceability buffer and prudential framework.

B03 APRA | Activating debt-to-income limits
Portfolio limits from February 2026 and key exemptions.

B04 Moneysmart | Buying a house
Personal affordability and buying costs.

B05 CommBank | Borrowing power calculator
Calculator inputs, card limits and estimate limitations.

B06 Macquarie | Income and liabilities in serviceability
Technical cross-check of income categories and liability inputs; lender-specific broker resource.

B07 Macquarie | Living expenses in serviceability
Technical cross-check of expense categories and benchmarks; lender-specific broker resource.

B08 Macquarie | Residential Home Loans Credit Guidelines
Technical reference for verification and self-employed assessment. Broker-only material is not a consumer product recommendation.

B09 NAB | Home loan application process
Typical evidence and approval stages.

Sources and further reading

Official guidance and primary sources. Click a source title to open it. Source codes on each page identify the relevant material.

B10 Moneysmart | Credit scores and credit reports
Account information, repayment history and corrections.

B11 NAB | Lenders Mortgage Insurance
Who LMI protects, funding the premium and lender-specific exemptions.

B12 ANZ | Security guarantees
How additional family security can work and guarantor risks.

B13 Moneysmart | Debt consolidation and refinancing
Repayment-term risk when combining debts.

B14 Moneysmart | Choosing a home loan
Comparing fees, rates, terms and useful features.

B15 Moneysmart | Mortgage offset accounts
Offset mechanics, fees and checking the account link.

B16 NAB | Conditional pre-approval
Conditions, expiry and property checks.

B17 ANZ | Managing your home loan
Credit approval for top-ups; term changes and security releases.

B18 APRA | Macroprudential settings update
2026 confirmation of serviceability and high-DTI settings.

Research date: 13 November 2026. Official pages and rules can change. Source links support education, not an endorsement of a lender or investment provider. Examples and calculations in this guide are original illustrations; no client outcome is represented.

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