Louise: Hello and welcome to this week's Flash Friday Finance Update. I am back with the lovely Caitlyn who's also been on a holiday lately. We wanted to discuss the top three things that have come into our email inbox in the last week, that are coming up in finance. We are going to talk about valuations, interest rates relating to credit scores, and servicing and how we can help that, in the higher interest rate environments. So Caitlyn, what do you say?

Caitlyn: We're just saying that a few of the lenders are tightening down a little bit on their valuation requirements, especially where there's a higher LVR or if they feel that people are paying a higher price.

Louise: Okay, LVR being the loan-to-value ratio, so the percentage of the loan in the actual purchase price. So how you do that is generally lenders up to 80% and a purchase will be automatically at the contract price, won't they? So they'll say the house cost 800,000. We'll do an LVR of 80. So that means a loan of $640,000.

Caitlyn: It's all good.

Louise: Yes, but she's right. The minute the loan-to-value ratio goes above 80%, this can cause lenders some concerns. However, it's often that they will agree to a purchase contract. They're more likely to agree to a purchase, but we do find that because prices, particularly in South East Queensland, have been moving quite quickly compared with a couple of years ago when people have had properties that sat there for like 10 years going nowhere, and suddenly, they've had this huge increase in the last six months. Massive, a couple of $100,000, we're seeing jumping up in valuations and so the banks are tending to go and have a look at properties and reassessing. Are they really worth what people are paying? So that's been interesting. But we're finding valuations are going up all over the place. What have you been seeing, Caitlyn?

Caitlyn: Yes, absolutely. I've been seeing the general values are still increasing.

Louise: Number two that's top on our list on our emails of issues coming up. Credit scoring or credit file - finding out your credit file. Tell us about what you're seeing with the effect on loans in that way.

Caitlyn: A lot of lenders are now reviewing your credit file and giving you an interest rate based on what your credit file shows. So if you have late payments for instance and it shows up on your credit file, you can expect to pay a higher interest rate on your new loan.

Louise: So what advice can we give to people regarding looking after things like this to help their credit file get a better score?

Caitlyn: Absolutely, they just need to pay their bills on time and pay their mortgage repayments on time. Pay any car loans on time or credit cards on time, because each time that you pay late, or you pay you forget a month or anything like that, it is recorded on your credit file and it does have a negative impact.

Louise: Exactly. Also on your savings accounts, keep them in the positive, not the negative because sometimes people say, oh I just withdrew and the bank let me because my pay is going in a day or two. But no, that actually also looks bad on your file and the banks can see that now, so with open banking, it's like they can see what's going on in all your accounts. So be very wary of those things. And it's so easy to let your credit file slip and then when you really need some money, you end up paying a real premium for it even though you shouldn't have had to. And number three, we were going to talk about servicing because it's been a bit harder, hasn't it? So what can we do about that?

Caitlyn: It has been a little bit harder because obviously with the interest rates being a bit higher, the banks are adding a 3% buffer onto whatever the current interest rates are for you to service your loan at. So it does make it a little more challenging. But we are seeing a few banks look to bring that back a little bit, the buffer zone.

Louise: Yes, we have seen some 2% buffers and some refinances straight across then they're not using the buffer at all.

Caitlyn: Yes, but definitely let us know if you are concerned about that because we can give you some tips on things that you can do or change. Because sometimes, you might have a $10,000 credit card that you don't use sitting in your drawer and things like that have a really big impact on your servicing. Just simply closing that can really increase your borrowing capacity.

Louise: And even if you still want the credit card, we can actually work out well if you reduce it down to $2000 or whatever, we can make it work so ask us to do the assessment first, and then we'll help you decide what you might need to get through the new loan. So have a wonderful weekend, everyone and we will see you next week. Have a great one. Bye!