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Empowering Dreams, Enriching Lives.

INCREASE YOUR CHANCE OF APPROVAL



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INCOME & EMPLOYMENT

INCREASE YOUR INCOME

The first requirement all applicants must meet before their home loan will be processed is the gross monthly earnings. The minimum required is 30,000php combined. However, this can be higher depending on the bank you choose to apply with. Therefore, increasing your income may be required for you to get approved.

However, keep in mind that there is a minimum to protect you from falling into financial strain. The more you say you earn, the more you're likely able to borrow – which means the more you have to pay back. If you overextend yourself, you may end up being unable to repay your loan and having your house seized in foreclosure.

If you're confident in your ability to repay your home loan without this risk, consider the following to help briefly boost your income.



ADD A CO-BORROWER

A co-borrower is another person who is equally responsible for repaying your home loan. Their gross monthly income is added to yours, allowing you to easily reach the minimum required by the bank. However, since a co-borrower is also legally responsible for the housing loan, banks require they are either an immediate family member or a spouse.

A co-borrower is evaluated by the bank the same way as the main applicant, meaning the same identification and income documents must be provided upon application. Therefore, when choosing a co-borrower, be sure they actually help your situation. Their income should be steady, and they should owe less money than they make. For example, if you add a co-borrower who makes 50,000 a month but owes 60,000 a month in debt, that will only hurt your application.

TIME YOUR APPLICATION RIGHT

When you apply for a home loan, you are required to submit the last 3 months worth of payslips. If you earn performance-based bonuses or commissions, you should apply for a loan when these are reflected in your payslips.

It's important to note that your extra income – meaning anything that is not your base income, such as commissions, bonuses, KPI rewards, overtime pay, etc – is not always counted at 100% of its value. If you've made an extra 5,000 pesos in commission, many banks will only attribute 2,500 pesos, or 50%, to your income. As always, all banks calculate income slightly differently to one another, so ask to be sure of exactly what to expect.

This is also the case for overtime. If you're able to work consistently over the 3 months, banks will include it as income and it will give you a little increase that might be enough to make a huge difference.

ASK FOR A RAISE

If you've been at your current position for over 2 years with your company and you haven't seen an income increase, consider speaking to management and requesting a raise in salary. These are difficult conversations to navigate so make sure you've got exemplary attendance, milestone achievements, and a positive attitude to back up your request. If you're successful in your raise, you can ask for it to be put in writing and take that to the bank as proof of income, which means you don't have to wait another 3 months for it to reflect in your payslips.

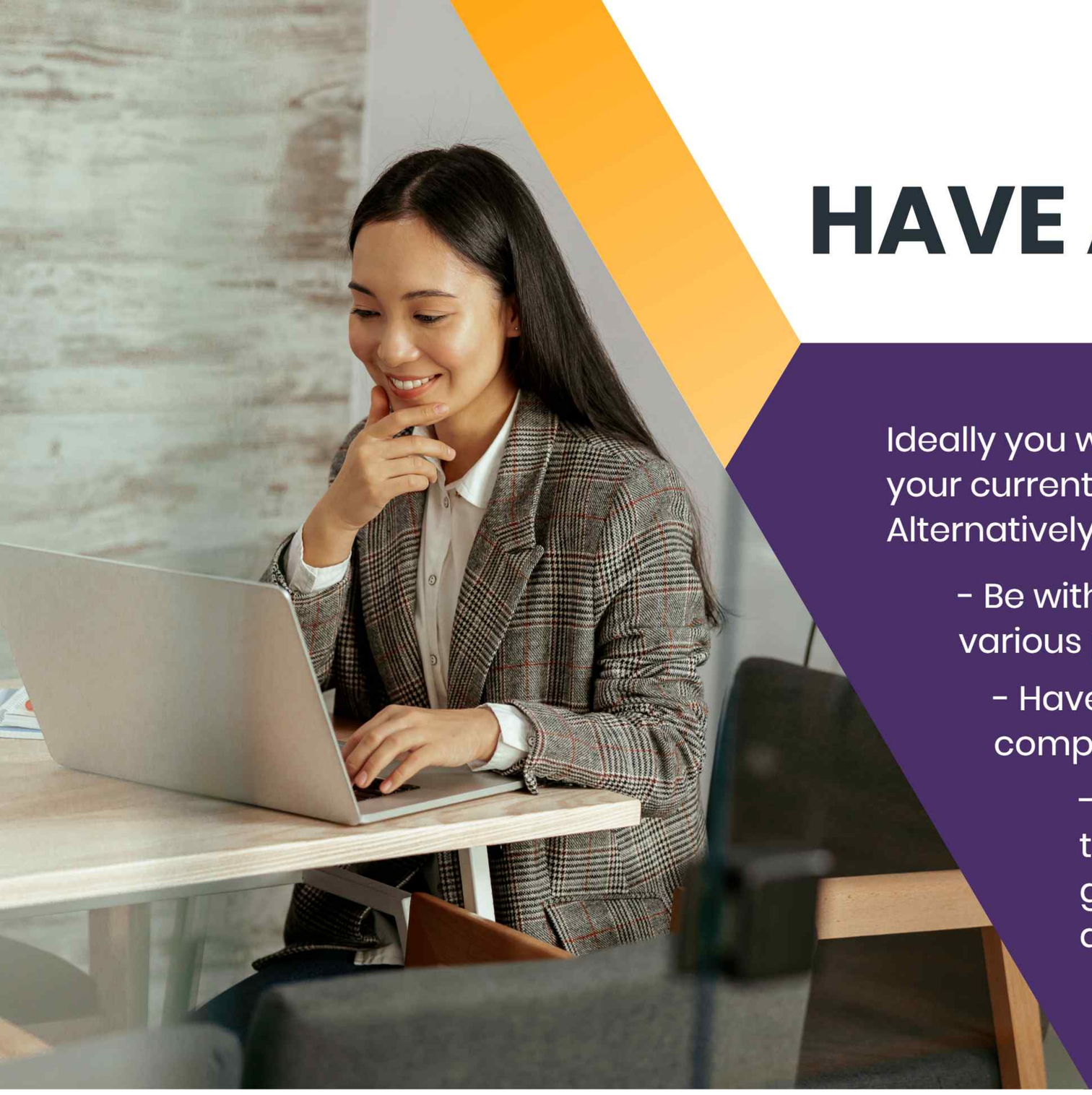
MAKE SURE YOUR EMPLOYMENT DETAILS ARE REGISTERED WITH CIBI

Part of your home loan application is sharing your employment information. Banks do check this information by calling your company for references, but also by checking CIBI's online database. If they are unable to confirm your employment in both instances, they may reject your application.



It's in your best interests to make it as easy as possible for the bank to confirm the information you have provided. Check with your employer to ensure your details are registered in the CIBI system – you are unable to put these details in yourself.

Taking this administrative step can help eliminate any unnecessary bumps in the road and get you that much closer to securing your dream home!



HAVE A STABLE JOB

Ideally you would be in your current position with your current company for a minimum of 2 years. Alternatively, you could:

- Be with your current company for 2 years in various positions.
- Have 2 years of work history with various companies.
- Be employed with a company for less than 2 years, but have a contract that guarantees your employment for a set amount of time.

This 2 year minimum also applies if you are Self-Employed or an OFW.

Banks are wary if you don't stay with one company for long-term, as it indicates you're not financially stable. This factor alone is not usually enough for rejecting a loan application – but it is a contributing factor banks take seriously. They need confidence that you'll be able to make your monthly amortizations, and this employment length is a good indicator that you're low risk, because you're financially stable.

If you're job hunting or you're thinking about a career change, you might want to hold off on making any significant decisions until after your loan is approved, and after you've signed all the documents.

WATCH OUT FOR CERTAIN JOBS

Whilst steady employment is preferred, there are some types of jobs that banks don't like to see at all. Due to the probability and likelihood of risks – whether that's illegal activity, corruption, or a high chance of injury – it's understandable why banks would prefer not to have their borrowers associated with certain industries and professions. The riskier position the borrower is in, the higher chance the loan doesn't get repaid, which banks obviously want to avoid.

Every bank has their own definition of what a "high risk" job is, so don't be discouraged if you're employed in one. It does not guarantee a rejection, but it could be a contributing factor in addition to other reasons.

Examples of "high risk" industries might be freelancers; any kind of virtual work; politics; casinos; police or law enforcement; and so on.

DEBT

KNOW YOUR TOTAL DEBT RATIO

Total Debt Ratio (TDR) = (Total Monthly Debt Payments/Total Monthly Gross Income) × 100

This easy formula is how banks assess your ability to manage monthly payments and repay loans. Essentially this means that banks are weighing up your total debt against your total income. For example, if your income is 50,000 pesos and your total debt – this includes your current debts and the new monthly amortization of the loan you'll be getting from the bank – equals 20,000 pesos then your total debt ratio would be 40%.

There is an acceptable range for TDR. Most banks like to see a total debt ratio between 30% and 50%. If you go over that percentage, it likely means your loan is getting declined.

Now there are other factors that affect your total debt ratio, like how much your loan amount is, how much down payment you're putting down and how long your loan term is, and what types of debt your bank takes into consideration (for example, whether they count your monthly rent!). Therefore, shopping around various banks, saving a bigger deposit and borrowing less are all viable ways to change your TDR.

PAY YOUR DEBTS ON TIME

It seems like common sense, but it's often overlooked by many home loan applicants. You need to pay your debts on time, consistently, to show that you're responsible and can manage your finances well.

Having a bad track record with payments is one of the quickest ways to get your loan application rejected. Unpaid loans or even just consistently late payments are a huge red flag. If a bank sees that you're not consistently paying back what you owe, they're going to be less inclined to lend you more money.

Debts you need to stay in control of are auto loans, personal loans, installment loans from shops like Abensons, microloans, any other mortgages, and credit cards.

So if you've got any existing debts, make sure you're keeping up with them. Even if it's just the minimum payment, make sure it's done on time, every time.

GET YOUR DEBTS UNDER CONTROL

Debt is fine if you're paying it off consistently, unless it's costing you more than 50% of your income already. There's no room left in your Total Debt Ratio equation for a home loan, so banks will not approve your application. Instead, you need to either increase your income or decrease your debt.

- Look into consolidating your debts.
- Pay off your smaller debts for easy wins to get the momentum going.
- Pay off your high interest debts to save money in the long run.

Ideally, your debts should not be more than 30% of your income in order to be approved – unless you're a high earner! (over PHP60,000 a month!)

PAY OFF OVERDUE PAYMENTS

Whilst debt itself is fine – overdue debts are not. If you've got overdue loans — be it personal loans, installment loans, car loans, other home loans, or even small credit card balances — that's a red flag for the banks.

Banks don't like risks, and overdue payments are the most clear way to know if someone is a high risk borrower. Overdue debts are unpaid debts, and banks want to be repaid more than anything. So, if you want to avoid getting a quick rejection from the bank, clearing up those overdue loans and credit card balances is a must.

MAKE YOUR BANK YOUR FRIEND

Whilst debt itself is fine – overdue debts are not. If you've got overdue loans — be it personal loans, installment loans, car loans, other home loans, or even small credit card balances — that's a red flag for the banks.

There are two main ways you can get points from banks:

1. Have a good track record of keeping a healthy average daily balance in your accounts. If you have enough savings with certain banks they may even give you a discount on your interest rate!

2. Making all your payments on any cards or loans you have with that bank.

If you've been careless with your accounts with them, such as overdrawing your debit accounts, not paying back credit cards on time, or a messy history paying back previous loans, you're less likely to get approved. Some other red flags for banks include having outstanding payments on your debts, any canceled credit cards, and severe negative marks like home foreclosures or car repossessions on your credit report.

CREDIT

CHECK YOUR CREDIT REPORT

Your credit report is a detailed account of your financial behaviors from a debt and credit perspective. Do you pay your loans on time? How many loans have you taken out in your life? Have you ever been late on a payment on a credit card, or had any legal issues related to your finances? Your credit report is so thorough that it shows if you've ever defaulted on a loan, declared bankruptcy, or if you have ongoing disputes with lenders. Banks look at this report card to judge how risky or safe you are as a borrower.

Also in your credit report is your credit score. This is a number that tells you how well you have been handling your debts, like your credit cards or any loans you may have. It's like a grade for your financial behavior. The higher the score the better. Nowadays more and more banks are starting to adopt this score as a lending criteria you must pass and are checking your credit score through agencies like TransUnion. If you don't meet the minimum number, that's a bad sign – luckily this score is quite low, meaning you would have to have a really awful, terrible, severely bad credit history in order to be declined on this factor alone.

Your credit report is not free to access, but it is available for a small fee. However, it might be a small price to pay in exchange for your loan approval.



IMPROVE YOUR CREDIT SCORE

Banks have a minimum score you've got to hit if you want your loan approved. So if you're below that threshold, your application might be rejected. However, what this threshold is varies from bank to bank. The best approach is to ask the bank directly or look at their guidelines online. That way, you know exactly what target you're aiming for.

You are also in control of your credit score. You can always improve it if you need to.

Pay Your Bills On Time: Consistency is key. In fact, this is the biggest factor when it comes to your credit score, so pay your debts on time!

Avoid Exceeding Your Credit Card Limit: It might seem convenient to max out your credit card, but doing so can really hurt your credit score. When you reach or exceed your credit limit, it indicates to banks and financial institutions that you tend to spend more than you can afford. So keep an eye on your spending and stay well below your credit limit to maintain a healthy credit score.

OTHER WAIT FOR BETTER INTEREST RATES



A low-effort way to increase your chance of loan approval is to wait for better interest rates, although this can be more complicated than it sounds. Interest rates dictate what you'll be paying every month in amortizations for your home loan. This is a key figure in calculating your total debt ratio. Therefore, lower interest rates could mean a lower monthly payment, making it easier for you to pass that total debt ratio hurdle.

But waiting for interest rates to drop is almost a game of chance. Unless you're an expert and spend your time studying the financial market, you never really know if rates are due to soar or plummet. Not only could you miss out on a good interest rate due to waiting too long, you could also be forced to proceed with a bad one.

Consider your risk appetite when deciding whether to do this.

INCREASE YOUR DOWN PAYMENT

Another key strategy to boost your chances of getting that loan approved is to put down a bigger down payment than what's typically required, which is 20% of the property value.

Your initial deposit directly impacts how much you need to borrow. More money upfront means you're borrowing less from the bank. This is a huge factor because it lowers your total debt ratio. For example, if you have a 60% total debt ratio, which is above what banks will typically allow, you could lower this by increasing your down payment, lowering your monthly amortizations and therefore your total debt ratio.

Secondly, a larger down payment means borrowing less from the bank. This is a positive thing to banks, who are likely to see you as low-risk because you're offering more money upfront. This shows that you're financially responsible enough to budget, save, and you're stable in employment.

STAY UNDER YOUR BORROWING LIMIT

Just because you can borrow money, doesn't mean you should borrow it. This is especially true for large purchases like property. You don't want to bite off more than you can chew, because this can result in unpleasant consequences long term.

Use a mortgage amortization calculator by your preferred bank to ensure you're keeping under the total debt ratio limits of 30 - 50%. If you are just barely within this range, take the time to consider whether saving up more money and borrowing less is a practical and beneficial thing to do.

DEFAULTS & FORECLOSURES

Ask your bank if they rate match. Most banks will require proof of approval or a quote of some kind to prove your approved interest rate, but once you have it, it's easy enough to get it matched. Most banks will match or even beat a competitor's interest rate to win your business.

AREA OF PURCHASE

When buying your dream property, be aware of the area you're looking in from a lender's perspective. Areas with high crime or high risk of crime may also lead to automatic rejection, due to the fact that if you are hurt, injured, or compromised in any way, you will not be able to pay back your loan.

This makes you a high risk client, which banks tend to avoid. Similarly, if the property is damaged in any way, this lowers the value of the property – and therefore, the bank has given you more money than it's worth, even if it were to be seized through foreclosure, the bank has lost money on the loan.



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