

## Domain

Property News Financing

## The hidden trap for home buyers and owners wanting a career change



Jim Malo

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### KEY POINTS

- Changing jobs creates issues when getting a home loan if the borrower is highly leveraged or intends to use a small deposit.
- Some lenders require a borrower to wait out a probationary period in their new job, but most have relaxed this requirement.
- Using a second job to boost income and therefore borrowing capacity is discouraged by mortgage brokers.

First home buyers and mortgagors are being encouraged to take their finances into account when planning job and career changes, because it can affect their chances of getting a loan or refinancing.

**Career changes were the biggest concern for lenders, who calculate that it increases the risk of defaulting on a loan, Foster Ramsay Finance director Chris Foster-Ramsay said.**



Changing jobs at the start of the year is popular, but brokers warn it can have unintended consequences.

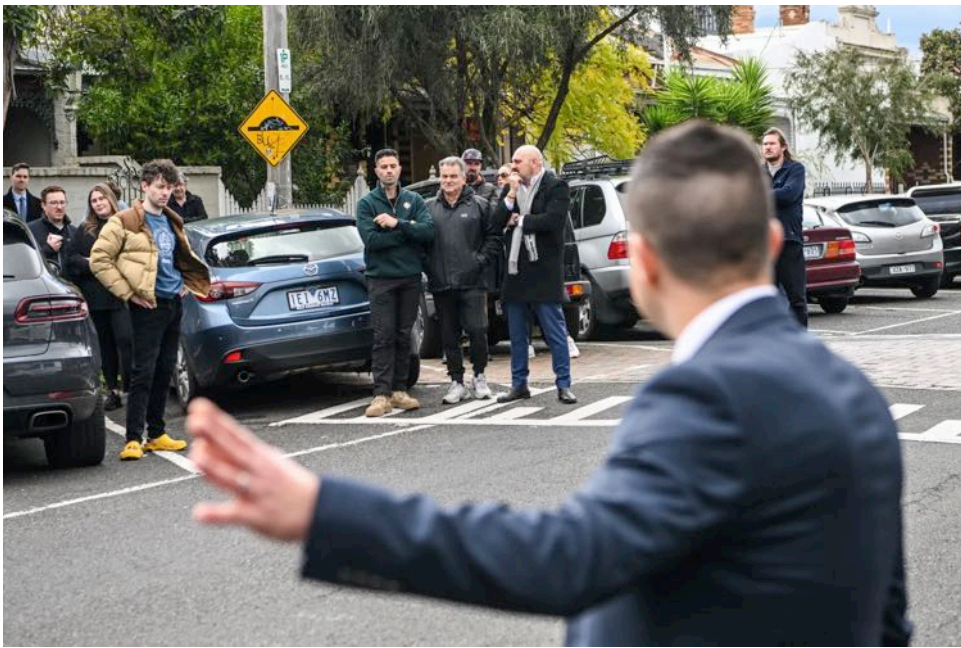
JAMES BRICKWOOD

**“It would be unwise to be looking for finance approval or to buy and purchase a home if you’re changing job roles in one way or another,” he said.**

Seek director of sales and service Stephen Tuffley said it was approaching the busiest period of the year for changing jobs.

“Near the end of January and February is actually the peak time for candidates looking on our sites,” he said.

Nearly three quarters of Australians were open to changing careers at some point, Seek data shows, and it was even more likely for young Australians, Tuffley said.



Highly leveraged borrowers could struggle to refinance in the coming months if they change jobs. JUSTIN MCMANUS

Lenders typically require up to three cycles of payslips, or more for casuals, both for approving a new loan and refinancing.

“If your job is not permanent as in contracting, casual, part-time, then generally you’ll need three to six months history with that employer before a bank will be willing to lend to you,” 40 Forty Finance director Will Unkles said.

He said lenders would often be concerned about stretches of unemployment.

“They want to make sure there’s a short gap between both jobs,” Unkles said. “The general rule of thumb is 28 days, most lenders won’t have any issue with that even if you’re on probation.”



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The size of the loan was the decisive factor when it came to how much scrutiny an application attracted, AXTON Finance principal mortgage broker Clinton Waters said.

“The biggest function is how much equity you have in your property determines how much of a change that will be,” he said.

“If you’ve lent 80 per cent of the value of the property, it won’t affect your value to get a new loan or to refinance.

“If you’re 90 to 95 per cent [leveraged], most lenders will require you to sit out a probationary period.”

**Foster-Ramsay said most big lenders had relaxed the requirement to show a long period of payslips.**

**“Most majors with the exception of ANZ will take two to three pay cycles and an employment contract, ANZ still requires three months of salary credits,” he said.**

**“They can be pretty liberal. Where it becomes more of an issue is if your borrowing capacity is right at the top of the tree.”**

**Looking for a second job to boost borrowing capacity is a common tactic that doesn’t always pay off, Foster-Ramsay said.**





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“If you’re looking to do that to qualify for a home loan right now, you can’t show the bank consistency of income,” he said.

“[For example] if you’re working at Coles 25 hours a week but if you’re looking for extra borrowing capacity, so you take on extra hours at the pizza shop.” Starting a small business could also affect the ability to get a loan.

“If you’ve started a business you need to show at least one full financial year of income, usually two,” Foster-Ramsay said. “So that can put you under a lot of pressure and you need a bigger deposit than a salaried position too.”



The big four banks, except for ANZ, have become more lenient when it comes to probationary periods.  
ARSINEH HOUSPIAN

Waters said refinancing was always easier if the borrower had a large deposit or had plenty of equity in their home.

“A lot of those people who have changed jobs and have the equity in that property and have borrowed under 80 per cent, it’s not a problem to refinance if you’ve changed jobs,” he said. However, as prices decline, those who bought at the peak with small deposits would struggle, Waters said.

“If you [were] a first home-buyer and you’ve changed jobs, you have a whole lot of headwinds.”

Unkles suggested those looking to refinance or buy a new home stay with their old job until their finances were in order.

“For that reason, before they make a job change some will restructure their finances,” he said. “You will have the most options for lenders, put it that way.

“[But] there is a lender who lends to everyone unless you are casual or on a contract.”

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