

What Banks Look For Before Approving Your Home Loan

The six checks every lender runs, and how to get ready for them before you apply.

Getting your home loan approved isn't luck. Banks run every first home buyer through the same six checks, and once you know what they are, you can prepare for them months before you apply.

I've spent over 20 years helping first home buyers across Sydney, Melbourne and Brisbane get the keys. The ones who struggle usually aren't short on income. They just didn't know what the bank was looking at. As I always say: **you don't know what you don't know**. So here it is.

The 6 Checks Every Bank Runs

1

Stable Income

CAN YOU PROVE WHAT YOU EARN?

Full-time PAYG with probation finished is easiest. Casual, contract or self-employed income can absolutely work, but expect a longer track record: often 6–12 months casual, or 2 years of tax returns for a business. Overtime and bonuses usually get trimmed.

2

Living Expenses

WHAT YOUR BANK STATEMENTS SAY ABOUT YOU

The bank reads 3–6 months of transactions. Buy-now-pay-later, gambling, regular takeaway and missed bills all get noticed. They compare what you declare against a minimum benchmark and use whichever is higher. Clean up spending **before** you apply.

3

Debts & Credit Cards

EVERY LIMIT COUNTS

A \$10,000 credit card you never use still cuts your borrowing power, because the bank assumes you could max it out. Car loans, personal loans and Afterpay all count. Close what you don't need, lower the limits you keep, and check your credit report.

4

Deposit & Genuine Savings

SHOW YOU CAN SAVE

Banks want savings built over time, not a lump sum that appeared last month. Regular deposits into a dedicated account tell the right story. Budget for stamp duty (or your state's first home buyer concession), legal fees and moving costs too.

5

Serviceability

THE 3% STRESS TEST

Banks don't test you at today's rate. APRA requires them to test you at your rate **plus 3%**. Since February 2026, banks are also limited in how many loans they write at six times income or more, so borrowing beyond about 6x your gross income gets harder.

6

The Property Itself

THE BANK IS BUYING IT TOO

The bank values the property independently and lends on its figure, not your contract price. A low valuation means you cover the gap. Studios, high-density towers and buildings with defects get extra scrutiny. Line up a valuation before you're locked in.

The 5% Deposit Scheme

You may not need 20%. Eligible first home buyers can buy with a 5% deposit and pay **no lenders mortgage insurance**. Since October 2025 there are no income caps and no limit on places. You still need to pass all six checks.

CITY	PROPERTY PRICE CAP
Sydney	\$1,500,000
Brisbane	\$1,000,000
Melbourne	\$950,000

Caps vary by postcode. Check yours with Housing Australia first.

YOUR NEXT STEP

Get ready before you apply

Every bank weighs these checks differently, and a declined application leaves a mark on your credit file. Prepare first, pick the right lender, then apply once.

Book your FREE 15-minute strategy call

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