

For immediate release  
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## What your debts are costing you when house hunting

- ➔ How credit card, personal loan and car loan debts can dramatically affect your borrowing capacity
- ➔ House hunters could see \$41,000 knocked off their borrowing capacity with average personal debt
- ➔ Tips on how to maximise your borrowing power

**28 April, 2016, Sydney, Australia** – The average debt carried by Australians is affecting their borrowing power by a whopping \$99,000, [finder.com.au](http://finder.com.au), one of Australia's biggest comparison websites<sup>1</sup>, reveals.

According to a survey by [finder.com.au](http://finder.com.au), the average Australian with a personal loan is now lumbered \$12,643 in debt. The average credit card balance is \$3,114 and a car loan costs \$16,320 on average.

If you were to apply for a home loan with that combined \$32,077 debt your borrowing power would be reduced by a staggering \$99,000.

The borrowing capacity of an individual earning \$75,000 per annum was \$420,000, according to [finder.com.au's Borrowing Power Calculator](http://finder.com.au/Borrowing Power Calculator) ([finder.com.au/borrowing-power](http://finder.com.au/borrowing-power)).

The average \$12,643 personal loan lowers the amount a person in that scenario can borrow by \$41,000. The average \$16,320 car loan shaves off \$46,000, while the average \$3114 credit card reduces borrowing power by \$12,000.

<b>Average debt</b>	<b>Reduces borrowing power by:</b>
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<sup>1</sup> Experian Hitwise since 2013

Personal loan \$12,643	\$41,000
Car loan \$16,320	\$46,000
Credit card \$3,114	\$12,000
<b>TOTAL:</b>	<b>\$99,000</b>
Gen Y debt \$29,191	\$97,000
Gen X debt \$36,821	\$121,000
Baby Boomer debt \$41,472	\$129,000

Source: [finder.com.au](https://finder.com.au), Reserve Bank of Australia Credit and Charge Card Statistics



Michelle Hutchison, Money Expert at [finder.com.au](https://finder.com.au) says if you triple the value of your debt, that’s about how much less a lender will be prepared to loan you when purchasing a property.

“A car loan or a credit card may never earn you money and may cost you dearly with some causing home loan applications to be rejected.

“Taking on too much debt before you buy a house could result in buyers needing to downsize their desired home substantially.

“With the average house price in Australia at \$612,100, any reduction in borrowing power could severely limit what property you can afford to buy.”

Mrs Hutchison says your debts are as important as your deposit, income and savings when it comes to getting a mortgage.

“Before applying for a home loan, make a determined attempt to get rid of all the outstanding debts that you can and if possible get rid of any credit cards you don’t need or reduce their limits,” she says.

“Ultimately, your ability to demonstrate ongoing savings is also very important to lenders – consider having part of your salary redirected into a high interest savings account to fast-track your savings.

“Go into discussions with your potential lender with as little financial baggage as you can

and you'll be rewarded with the borrowing capacity you need to purchase the home you want.”

#### Generation breakdown

- According to the [finder.com.au](https://www.finder.com.au) survey, Generation Y has debts totalling \$29,191 on average, reducing borrowing power by \$97,000.
- Generation X has average debts totalling \$36,821 affecting borrowing capacity by \$121,000
- Baby Boomers are lumbered with \$41,472 in credit card, personal loan and car loan debt, shaving \$129,000 off their borrowing power.

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