Peasy

Parental Leave Home Loan

A Guide On How To Apply For A Loan When Expecting A Child

Expecting a baby and buying a home at the same time?

Don't worry... You're not alone!

Starting a family and purchasing a home should be two of the most significant life-changing moments you will experience in your lifetime – especially if both are happening at the same time.

As much as you want to celebrate these huge milestones, you can't help but think "Does having a baby affect my mortgage?" or "Will my loan be approved even if I'm on parental leave?"

What makes lending different and sometimes difficult for expecting or soon-to-be parents is that from the lenders' perspective, borrowers on parental leave can sometimes be considered "high risk", since they will be receiving minimal to no income at all for a certain period of time.

Some lenders also think there is a chance these borrowers may leave their employment for good, making lenders hesitant to lend them funds to finance their homes.

How We Can Help You.

At Peasy, we believe that buying property should be easy and accessible to everyone. Thankfully, our views are shared, and we have a great set of lenders who are more than willing to accommodate expecting or soon-to-be-parents.

If you are one of these home buyers, we can provide you with the things you need to know to make sure you can still avail yourself of a home loan while currently on, or soon-to-be on, parental leave.

What This Guide Is For.

This guide aims to provide you with the most common and important questions every home buyer should know the answer to when expecting a baby.
Aside from that, we've also covered insightful tips and advice based on our experience to ensure a fast and smooth approval process even if you are currently on or will be on parental leave.

How To Use This Guide.

To use this guide, simply print it out and take along with you to the meeting with your broker. You may also use this to take note of any important points or follow-up questions you may have.

We've tried to make this Guide as comprehensive as possible, but when using it please be mindful of the following:

1. While we have thoroughly researched and have been very careful when putting this Guide together, it is still best to look at other related resources and not just rely on the information gathered on this Guide.
2. We have no intention of making any biases when it comes to brokers and lenders – we are simply stating our opinion based on our own experience.
3. Have other questions not included in this guide? Talk to us now to learn more!

Having a baby shouldn't affect your mortgage, and here's what you need to know to make sure it doesn't!

Can lenders use my return to work income when calculating my borrowing capacity?

Write your notes here:

The Peasy Answer:

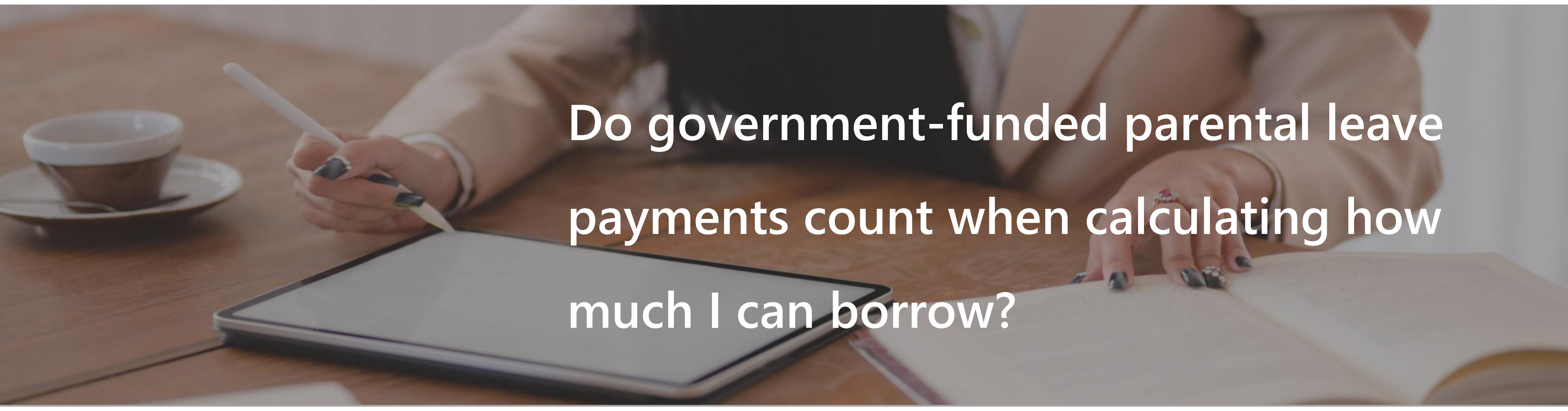
Lenders can use your return to work income, even if currently on or expecting to be on, parental leave (with reduced or no pay), towards calculating your maximum borrowing capacity. This is beneficial in terms of allowing you to buy a property for the amount you require/could afford while working, instead of using the lower to no income you receive during parental leave.

However, not all lenders take this approach, and the lenders who do will have certain criteria you need to fulfil to qualify.

Peasy Tips and How We Can Help:

Fortunately at Peasy, we have access to lenders who have a more open-minded and understanding approach that buying a property is a long-term life decision and parental leave is only temporary.

These lenders will consider your return to work income instead of the minimal to no pay you receive during your parental leave which helps you to borrow the amount you need.



Do government-funded parental leave payments count when calculating how much I can borrow?

Write your notes here:

The Peasy Answer:

Lenders who have a "return to work" policy will only use your return to work income from your employer to calculate how much you can borrow, not any government parental leave payments (as these are temporary in nature).

This means that any monetary support, allowances or bonuses from the government during your parental leave will not be considered under this policy.

Lenders will take these payments into consideration only when working out how you will make payments during parental leave (more on this in point 4) whilst not receiving income from your employer.

Peasy Tips and How We Can Help:

Fortunately, aside from government support, Peasy can help you identify other valid sources of income you can declare when applying for a loan. Since this varies on a case-by-case basis, it is best to talk to us directly so we can discuss your individual circumstances.

We are here to provide tailored support and advice no matter if you are a first-time or an experienced home buyer!

Does the length of my parental leave matter and what are the required documents needed from me?

Write your notes here:

The Peasy Answer:

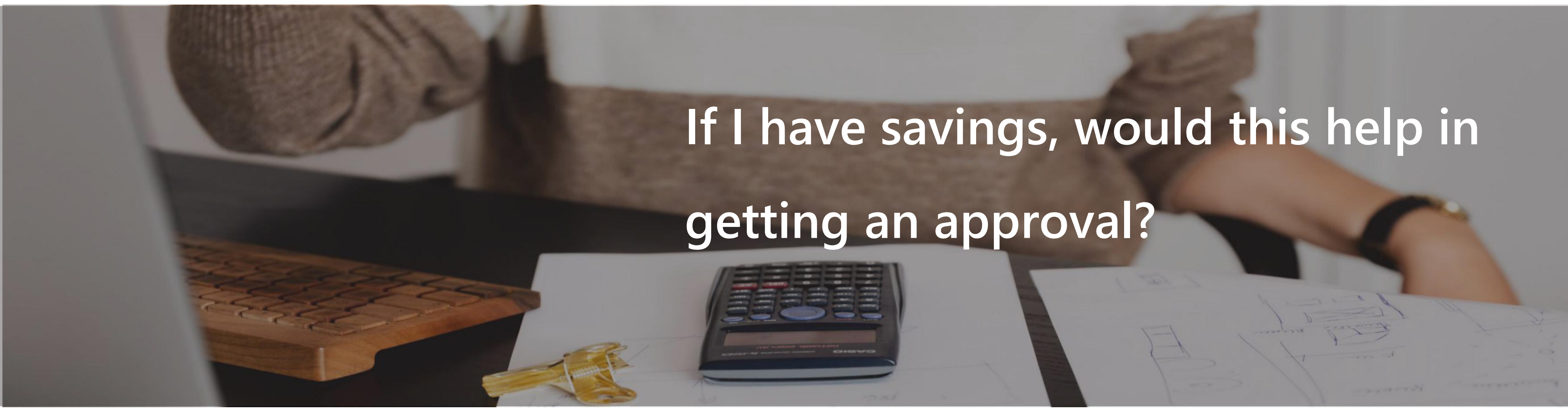
Most lenders would want to see that you will return to work within a period of 12 months, but a few can still lend if you haven't started parental leave yet and/or will be returning in more than 12 months.

It's important to note that you don't have to wait until you're back at work to apply if there is a property you really want to buy. These lenders will just need a letter from your employer (dated & signed, on a company letterhead) confirming the exact date you're returning to work, hours/days to be worked, role and income upon your return.

Peasy Tips and How We Can Help:

We understand that there are cases where returning to work within 12 months of having a child is unfavourable and at times even impossible. Luckily, we can find you lenders who are flexible enough for just about any situation you may have.

Another tip is to secure the required documents as early as possible. If you know you will be on parental leave soon, then there's no harm in securing the letter from your employer early on so it is ready when your lender/broker asks for it.



If I have savings, would this help in getting an approval?

Write your notes here:

The Peasy Answer:

Yes. In fact, lenders will want to see that you have savings during the parental leave period to help cover your mortgage repayments whilst you are not earning your usual income. The amount you need to have is unique to your situation, although we can help you calculate the amount required. Having savings is important for your own budgeting purposes so there is no added stress from a mortgage repayment perspective during a period of reduced or no pay.

Parental leave payments can also help in addition to these savings to demonstrate your ability to make repayments.

Peasy Tips and How We Can Help:

It's extremely important to be as prepared as possible when purchasing a property at the same time as having a baby. We can help you budget and plan for this by using the budgeting tool we've developed at no cost to you.

With an itemised breakdown of your living expenses (both pre and post baby/home purchase) we can ensure that you won't have any issues in repaying your loan during and after being on parental leave.

How do I calculate the required savings for me?

Write your notes here:

The Peasy Answer:

Now that you know how important savings are, you might be wondering “What is an ideal amount of savings to have?”.

A common misconception is that lenders use the actual loan repayment to calculate the savings required – which is not the case. They will use an “assessment rate” which is usually 2.5% higher than the actual rate, so the amount you need to prove you can repay is much higher than the actual repayment.

For living expenses, they will use the higher of your stated/actual living expenses or their assessed minimum living expenses (which is based on income, how many properties you own, size of family and sometimes even your postcode).

Peasy Tips and How We Can Help:

Peasy can help you determine the amount of savings you need to have. If you are not very familiar with this process, then we’ll do the maths for you! The amount of savings needed varies per client and lender and depends on a lot of factors, but what we can advise is that as early as now, try to save whatever amount you can.

Of course, having a baby and buying a home doesn’t happen overnight. It’s a decision you would carefully consider and it might be a longer ongoing conversation. If you agree that these are definitely on your list, whether now or in the future, then there’s no harm in starting to save as early as possible.

Savings can help cover repayments and living expenses during your parental leave period when you will have minimal to no income. It keeps you from experiencing mortgage stress and there’s no better way to enjoy your parental leave than not having to worry about your finances!

Have Other Questions Not Included In This Guide?

At the end of the day, everyone’s situation is unique to them. The best advice we can give you is to speak to us as early as possible so that we can discuss your individual circumstances and ensure that we meet your needs.

We have helped a lot of expecting and soon-to-be-parents in achieving their goals and dreams, and we want to help you achieve yours too!

At Peasy, we understand that this is a huge milestone for you. You should be worried about finding the perfect home and raising your little one - not worrying about the perfect mortgage.

Let us do our job and we’ll leave you the fun part - finding your dream home with your family.

Contact Peasy now!

Customer Testimonials

...When it was time for us to purchase our dream home in Sydney, it was coincidentally the time we felt we were ready to start our family...

" Joel and Amanda were an absolute pleasure to deal with and simplified the daunting process of buying our first home! They were quick to answer any questions we had and found us an amazing deal when our bank wouldn't lend us anything! Can't recommend Peasy enough. "

Linda Holroyd | July 28, 2017

" I want to thank you for the time and effort you put into getting the loan for me and working hard to find the right product for me. With most banks and financial institutions not wanting to take me on as a customer, the loan you found for me was my only real option and was the perfect product for me! "

Geoff Martin | March 31, 2020

" I would like to thank Joel and his team for their professional approach in sourcing a competitive mortgage for us. The process was smooth and Peasy were always there answering questions and providing clear direction with excellent feedback keeping us informed. If you want a competitive rate with excellent service then I would definitely recommend Peasy. "

Peter Davies | January 12, 2018

" Joel and the Peasy team have helped us throughout the years in securing our 3 investment properties. When it was time for us to purchase our dream home in Sydney, it was coincidentally the time we felt we were ready to start our family! Being self-employed for just over 1 year, we needed a lender that would understand our specific situation and allow us to borrow whilst my wife would be on maternity leave earning no income. Joel has this amazing budgeting tool and he took the time to meet with us and help us work through what our current day-to-day expenses were at the time and then what our budget would look like if we removed my wife's income. This resulted in a figure we needed to save every month to ensure we could afford our mortgage repayments during her time off work – it was easy! Joel did the maths, all we needed to do was stick to that budget and worry about finding a house. "

Simon and Anie Spalding

" Peasy have helped me with Finance for my first home and first investment property. I was a complete novice when I first approached Peasy, but Joel steered me through the lending / approval process with ease. Peasy have a great set of lenders and provide a lot of options, but also go the extra mile with educating you through the process. I've spoken with other brokers before Peasy and found them to be unresponsive and generally left me to educate myself through the process. Joel and Peasy go the extra step. "

Keiran Gill | August 4, 2017

" Peasy made the process of buying my first home seamless. Joel and Amanda are knowledgeable, reliable and made it incredibly easy. They explained every step of the process clearly, always had time to answer questions and ensured everything ran smoothly. I cannot recommend them highly enough! Excellent customer service and reliability. Will definitely be using their services again. "

Jess Macqueen | April 2, 2019

We’re people, people. And our people are people, people

Our focus is about opening more doors for our customers through great relationships with lenders and customers alike.

Get in touch >

hello@peasy.com.au

+61 1800 373 279

4/174-180 Pacific Highway
North Sydney 2060