Case Study – **Matt: From Rags to Riches**

Matt is a young bloke who only a few years ago was bouncing along the bottom. He was broke, couldn't get a job and struggled to pay the bills. Things went badly for too long and he picked up a couple of defaults on his credit report.

Then Matt turned the corner. Unable to get a job, he started his own business with a few dollars borrowed from friends and family. Within a year his business was enormously successful. His defaults were paid and he had $100,000 in the bank. Time to find an investment property!

Matt's problem was that he had some defaults on his credit report which would have made it difficult (but not impossible) to get a mainstream home loan as he could have put in enough deposit to keep the loan below 80% Loan to Value Ratio (LVR) and out of the mortgage insurer's hands. This is a good place to be in as its then up to the mainstream lender to make an assessment on the loan's merits rather than have a second set of eyes looking at it more closely.

When a loan is above 80% of the value of the property then the mainstream lenders require mortgage insurance approval before they will do the deal. The problem is that mortgage insurers are very reluctant to insure someone with bad credit.

The second problem was that he had only done one year's worth of tax returns for the new business but could show that he had excellent cash flow for the 2^{nd} year from BAS and interim statements from his bookkeeper.

We took the loan to a specialist lender who doesn't need mortgage insurance and was ok with the paid defaults. Matt would have to pay a slightly higher interest rate but he thought it was reasonable considering the circumstances so happily preceded.

"***There were a couple of specialist lenders who could have made the loan, same as a self-employed low doc loan, however there was one lender who would consider a full doc loan with only one year's tax returns and interim statements for the 2^{nd} year (most mainstream lenders require a full two years tax returns and financials to do a self-employed full doc loan).***"

The end result, the loan was approved and Matt bought his first investment property! The best part was that he had enough cash left over to buy a 2^{nd} one.

In a rising market, that's a good investment!

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