

What Buying a Car Before a Home in Brisbane Does to Your Borrowing Capacity - Natloans

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What Buying a Car Before a Home in Brisbane Does to Your Borrowing Capacity

By Mary Nebotakis, Managing Director, Natloans, B. Eco, Dip. Financial Services

Your current car is getting unreliable. Mileage is high, and repairs are becoming regular. You're not sure how much longer you can put off replacing it. But you're saving for a deposit and starting to think about purchasing a home in Brisbane.

Applying for a car loan and replacing your ailing vehicle might seem like a practical decision. But the timing can change what lenders are willing to approve.

A car loan adds a fixed monthly repayment. When a lender calculates borrowing capacity for a home loan, that repayment becomes part of the household budget they assess.

Why Car Loans Affect Home Loan Applications

Home loan assessments look closely at ongoing commitments.

Lenders review income, living costs, and any existing debts. Credit cards, personal loans, HECS, and car loans all appear in that calculation.

Each repayment reduces the amount of income available to support a mortgage. From your perspective the change may feel manageable. From a lender's perspective it changes the numbers used to assess borrowing capacity.

So, if you're planning both a vehicle purchase and a property purchase within the same period, getting the timing right is important.

How Lenders Treat Car Repayments

A car loan is usually treated as a fixed monthly liability.

If a borrower commits to a \$500–\$700 monthly car repayment, lenders include that amount when assessing affordability for a home loan. The higher the repayment, the less income remains available to support mortgage repayments.

Even though the effect isn't always dramatic, it can influence the maximum loan amount a lender is prepared to offer.

If you are already close to your borrowing limit, a moderate car repayment can reduce the amount you qualify for.

Consider a Brisbane couple who have been saving toward their first home and now begin exploring home loan pre-approval. At the same time, their ageing car is approaching the point where replacement is becoming unavoidable.

They consider buying a newer vehicle with finance. The proposed repayment is around \$600 per month.

That repayment fits comfortably within their current household budget. The question is how it affects the home loan.

When the lender reviews their application, the \$600 commitment is included in the affordability calculation. The couple still qualifies for a loan, but the maximum borrowing capacity is lower than it would have been without the car repayment.

The difference may affect the price range of properties they can consider.

When Buying the Car First Still Makes Sense

Delaying a car purchase isn't always practical. Some people rely on their vehicle for commuting or work. If the current car becomes unreliable, replacing it may simply be necessary.

In those cases, the key step is understanding the impact before committing to finance.

If you calculate the numbers in advance, you can see how the repayment affects borrowing capacity. In some situations, the difference is small enough that the timing doesn't change the property plans.

In others, it may make sense to adjust the vehicle budget or delay the purchase slightly until the home loan is finalised.

Looking at the Numbers Before You Decide

Borrowing capacity depends on several factors working together: income, living expenses, existing debts, interest rate buffers, and lender policies.

A single repayment isn't likely to determine the outcome on its own. What counts is how that repayment fits within the broader financial picture.

The Natloans calculator can provide a rough guide to monthly mortgage repayments across different loan sizes. These estimates don't replace a lender assessment, but they help you see how additional repayments affect overall affordability.

Talking It Through With a Finance Broker

A finance broker in Brisbane can review both decisions together before any applications are submitted.

Looking at the home loan and vehicle finance at the same time allows the broker to explain how each option affects borrowing capacity. They can also compare lenders, since borrowing policies differ slightly across institutions.

For some borrowers, securing home loan pre-approval first provides a clearer picture before taking on another repayment. For others, the numbers allow both goals to proceed within the same timeframe.

The important part is understanding the impact before signing a finance agreement.

If you're planning to buy a home and are also considering vehicle finance, Natloans can help you understand how the timing affects your borrowing capacity.

Our finance brokers work with Brisbane clients telephonically or via video call. Book a consultation and we'll review your current financial position, explain how lenders assess repayments, and outline the next steps.

Frequently Asked Questions

Does applying for car finance leave a mark on my credit file

Yes. Most car finance applications involve a credit enquiry recorded on your credit file. One enquiry is usually not an issue, but several enquiries in a short period can attract additional scrutiny from lenders reviewing a home loan application. If you are planning to apply for a mortgage soon, it can help to discuss timing with a broker before submitting vehicle finance applications.

Will paying off my car loan improve my home loan application?

It can. Once a car loan is fully repaid and closed, the monthly repayment is removed from your list of financial commitments. Lenders then assess your borrowing capacity using the updated financial picture. In some cases, this increases the amount you may qualify to borrow for a home loan.

Does dealer finance affect home loan applications differently from bank car loans?

From a lender's perspective, the main factor is the repayment itself rather than where the finance came from. Dealer-arranged loans, bank car loans, and finance through specialist lenders all appear as liabilities if they involve regular repayments. What counts is the size of the repayment and how it fits within your overall budget.

Can I include a car loan when refinancing my home loan later?

Some borrowers choose to consolidate smaller debts, including car loans, when refinancing a home loan later on. This can reduce the number of separate repayments and may lower monthly costs depending on the interest rate and loan term. It's important to compare the long-term cost before consolidating, as extending a short-term loan into a longer mortgage can increase total interest paid.

Will trading in my current car change anything for a home loan application?

Trading in a vehicle mainly affects the size of the new loan required for the replacement car. A higher trade-in value may reduce the amount financed, which can lower the monthly repayment. Since lenders assess ongoing commitments when reviewing a mortgage application, a smaller repayment generally has less impact on the overall affordability calculation.

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