

Pre-approval – Arm Yourself With Power To Negotiate

Buying a house can sometimes seem like a roller coaster ride. While the end result is a new home for the family, the means of getting there can leave even the most seasoned buyer feeling frazzled.

One way to smooth the road and potentially make the ordeal easier is through obtaining pre-approval finance. Pre-approval finance (or simply pre-approval) is similar to full finance approval except with pre-approval it is not necessary to have determined which property you will purchase.

Pre-approval is a commitment from a lender that (in principle) you meet their criteria for a loan up to a certain amount, and they will provide you with the finance once you find the right property.

Obtaining pre-approval can take as little as 24-48 hours but this time frame can vary significantly from lender to lender. Generally, you'll be required to complete a home loan application form, support your application with all relevant documentation and pay the application fee. Once the lender has assessed and approved the application, it will issue a 'pre-approval letter', with a shelf life of generally between three and six months.

The pre-approval letter will usually indicate the maximum amount you can borrow therefore enabling you to determine which properties are in your price range.

Benefits of obtaining pre-approval can include:

- ✓ Peace of mind of your borrowing capabilities
- ✓ Greater bargaining power when dealing with real estate agents or vendors as you'll be treated as a serious buyer
- ✓ Once you find a home to purchase, finance can be organised relatively quickly
- ✓ Allows you to bid from a position of power and safety at auctions – remember if you are the successful bidder at auction you'll need to sign the contract and pay the deposit on the spot. You need to know how much you've got to spend!

Remember that pre-approval doesn't necessarily mean your loan will be given final approval. The finance is still subject to the lender's valuation of the property and any other terms and conditions on which the pre-approval is given.

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