



property | finance | builders

## Having a pre-approval in place for mortgage finance helps negotiations

Buyers who are in the market for a property could enhance their chances of getting the house of their choice by having pre-approved finance. This simply means making an application for finance prior to signing a contract for the purchase.

When a vendor is considering offers from more than one purchaser, it may well be that they are willing to come down on the price a few thousand dollars to get a quick settlement. Therefore, a buyer who can prove that the loan is already in place will be looked at more favourably than others who still have to go through the process of applying for finance.

### The Pre-approval Process

The actual procedure to obtain a pre-approval for finance is very similar to that of making a full application when a contract for the purchase has been signed.

- Decide on the maximum amount of the purchase price.
- Choose the lender and the loan product.
- Fill up an application form.
- Submit all the necessary documents to support the application.

The lender will consider the application as normal and will issue a pre-approval for the maximum purchase price requested. This will of course have some conditions, usually:

- subject to the valuation and suitability of the security property,
- provided the credit report is clear, and
- income & liability details are confirmed.

A pre-approval can be obtained quicker than a formal approval because the lender does not do any of the normal checks to confirm income, liability or the credit report. These checks are done once they are informed that the application is being finalized by the buyer producing the signed contract for the purchase.

### Validity of a Pre-approval Document

A pre-approval is usually valid for a limited period of time and this depends on the lender. If the pre-approval is valid for longer

than three months, the lenders require updated information regarding income and liabilities to be submitted at the same time as the purchase contract.

From most lenders there is no charge for a pre-approval. Therefore, it is a 'win-win' position for a buyer to have this document when shopping for a property. It could mean getting the house, the vendor dropping the price by a few thousand dollars and a quick settlement.



**Wendy Underwood JP**

Accredited Finance Broker /  
Licensed Real Estate Agent

0411 138 430

wendy.underwood@procorp.com.au





## No hat-trick from RBA!

The Reserve Bank did not go down the path of a third consecutive cut in the official cash rate. Although the popular forecast of a reduction of 25 basis points did not eventuate, the big banks appear to be ignoring the Reserve Bank's decision and raised variable home loan rates by around 0.01 percentage points, giving wholesale funding costs for the reason for the increase.

## Save time and money with professional help

It is an accepted fact that if we need help with plumbing, we call a plumber. If we need help with anything electrical, we call an electrician. Unless of course we have the qualification and the expertise to handle the job ourselves. This is true of many jobs that we want done. So why don't we consult a financial planner and/or mortgage consultant when we need help with our finances?



Financial Planners and Mortgage Consultants have qualifications in their field and also work to keep updated on the changing trends in the industry, legal requirements, available products, etc. This means that they can save you an enormous amount of time, not to mention money in the long run.

When you do consult a financial professional it is important to give them all the facts so that they can make an objective and informed recommendation. They would need to know your current situation as well as your future aspirations to be able to put together a plan to minimize expenses and create wealth. They would need access to your personal information such as loan documents and other liabilities, proof of income, savings, etc.

Once rapport and trust has been established between you and the finance professional, they will work with you to save you time, money and improve your financial future.

**Curious how much your home is worth in today's market?  
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## Re-visit the mortgage to improve your financial future

What better time to think of improving your financial future than now? Interest rates are trending down and lenders are offering discounts to attract new customers. Re-visiting your mortgage can mean savings which in turn can help improve your overall finances. However, it has to be done systematically. If you don't have the time or the knowledge to undertake the exercise yourself, seek professional help.

First, it is important to ascertain if you have the best loan product to suit your individual needs. You may have had the best product when the loan was originally taken out, but with changing personal circumstances as well as the economic trends, there may be another lender and/or product more suited to your needs now.

Then take a good look at your budget. See if there are any expense areas that you can trim. Every dollar saved and put into the mortgage will make a huge difference in the long run.

If you have been comfortably paying the mortgage at the higher interest rate, continue to do so even when the interest rate is reduced. The extra amount you are paying will reduce the loan term and help save on total interest payable.

Also think of other minor adjustments to the repayment. For instance, if you are paying the mortgage monthly, change it to fortnightly. If your minimum repayment amount is an odd figure, for example \$1,862 per month; round it up to \$1,900 or if you can afford it to \$2,000. The additional repayments will cut many years off the loan term.

As seen on our website



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Some of our lenders include

