




AUSTRALIAN FINANCIAL
& MORTGAGE SOLUTIONS

Home loan pre-approval



A decorative scene featuring a vase of white flowers and wooden blocks spelling 'HOME' on a white surface. The background is a soft, out-of-focus interior with a white lampshade and a wooden frame.

For those getting ready to stride into the world of home ownership, the uncertainties of pre-approval can cast a shadow of doubt over an otherwise exciting time.

When is it necessary?

How long does it last?

And what does it involve, exactly?

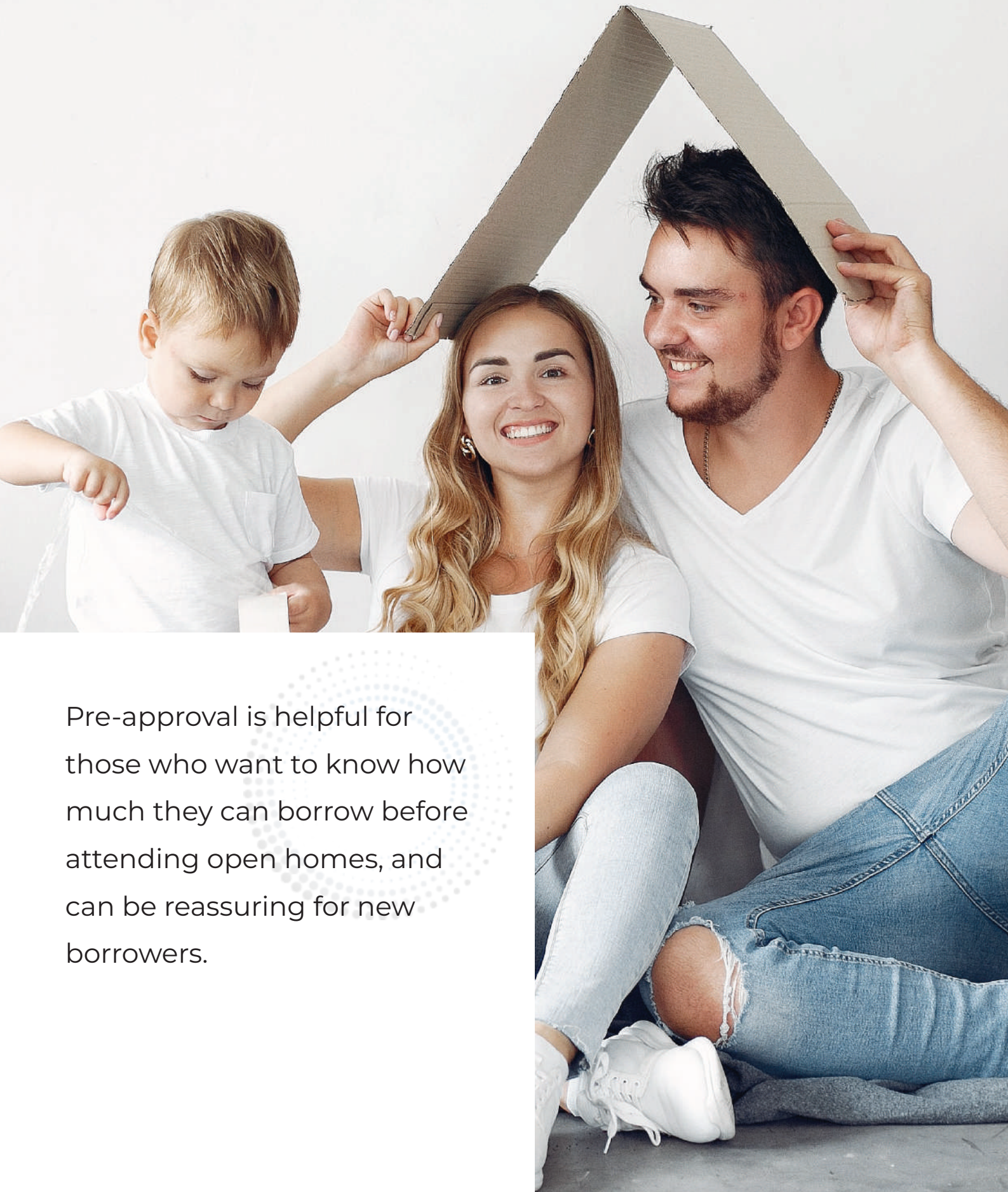




Pre-approval is a lender's assessment of your likelihood of being approved for an otherwise suitable loan. The appraisal is made on the basis of your ability to service a loan by looking into your living expenses and liabilities, your credit history, your employment circumstances and how often you have moved home or employment in the recent past.

As it is performed prior to a property being found and chosen, it does not take into account the particulars of a specific property and valuation, which is why uncertainties can arise.





Pre-approval is helpful for those who want to know how much they can borrow before attending open homes, and can be reassuring for new borrowers.



“When someone gets pre-approval they can start looking at properties knowing how much they can borrow. They know what their price range is,” explains the finance broker. “People take comfort in knowing that a lender has looked at their application to make sure it meets policy.”



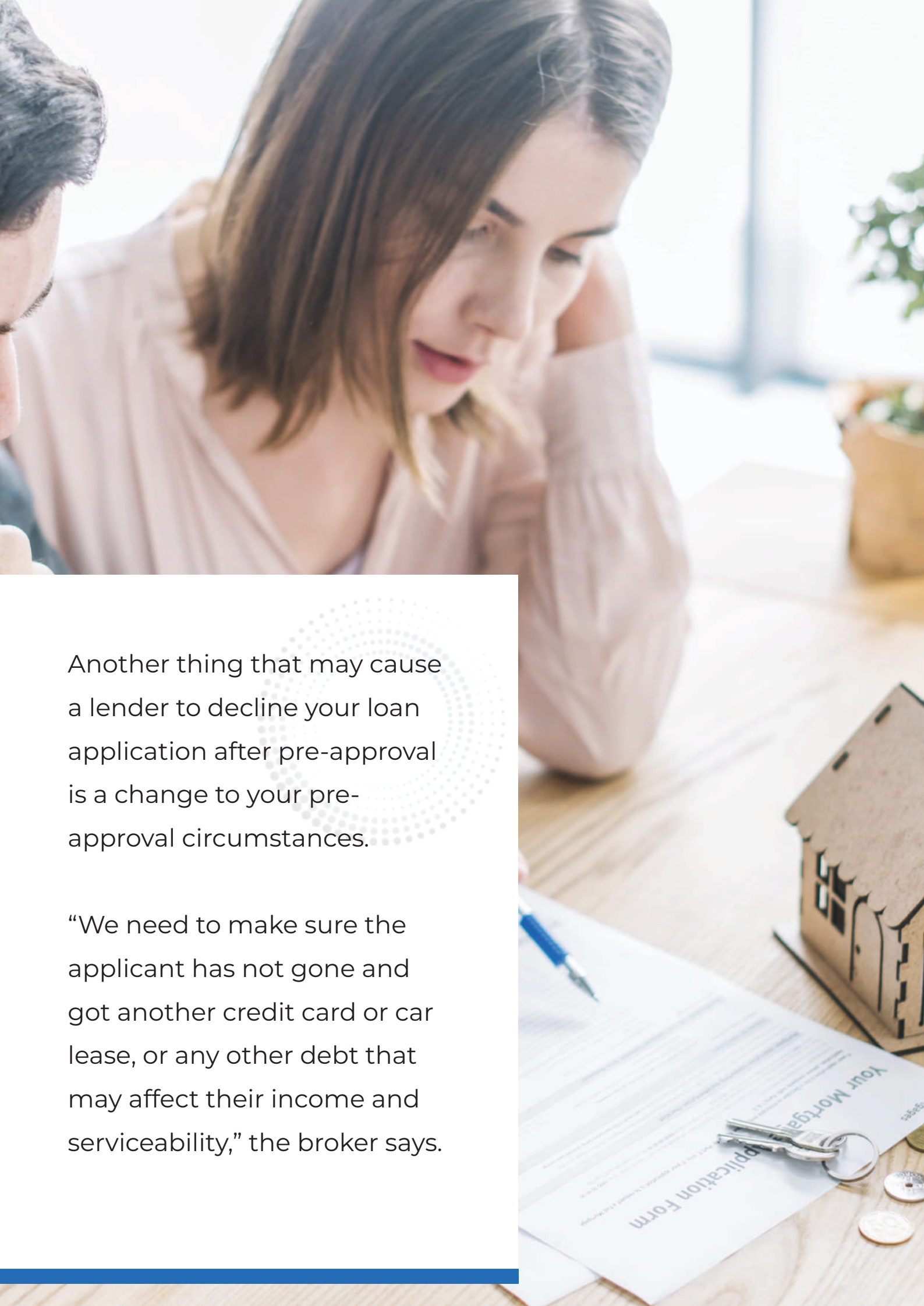
Pre-approvals are usually valid for up to 90 days but, depending on the lender, may be renewed to allow more time to find a property.

It is very important to note that a pre-approval is not a guaranteed loan. It is your potential lender's way of signalling how much they expect to lend you. This may change on your official application.

“Policies are changing day-to-day, week-to-week at the moment,” the broker says. “

For anybody with a conditional approval, it's a good idea to speak to their broker to find out if any policies have changed.”



A woman with long brown hair is looking down at a document on a wooden desk. In the foreground, there is a paper cutout of a house, a blue pen, and a set of keys. The document has the text "Your Mortgage Application Form" visible. The background is a bright, out-of-focus indoor setting with a window and a potted plant.

Another thing that may cause a lender to decline your loan application after pre-approval is a change to your pre-approval circumstances.

“We need to make sure the applicant has not gone and got another credit card or car lease, or any other debt that may affect their income and serviceability,” the broker says.

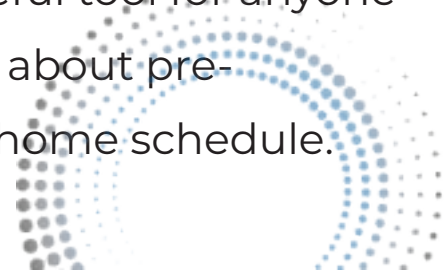


Your pre-approval will also usually be conditional on a property valuation. If your lender does not deem the property a marketable asset, they may not approve a loan.

“We want to check that it is a readily saleable property. That’s the biggest thing. To make sure the actual security itself is acceptable,” says the broker.

Potential lenders need to be wary of the changes that can affect their ability to take out a loan, regardless of pre-approval figures, to ensure they don’t overcommit without a guaranteed source of funding.

Pre-approval is not a guarantee, but is a very useful tool for anyone looking for a property. Speak to an AFMS broker about pre-approval before you lock in your Saturday open home schedule.



We're here to help
make it easier.

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