



# Pros And Cons Of Pre-approvals

Buying a home or investment property that is within your budget and suits your needs is challenging, but exciting at the same time.

Making one of the biggest financial and emotional decisions in your life can be daunting. Along with juggling market conditions, lender requirements and home loan processing times, no wonder many of us find it a challenge. But there is one action you can take to increase your home buying success - securing a home loan pre-approval.

A home loan pre-approval is a non-binding initial assessment from your lender where they calculate how much they will lend you subject to conditions.

## ***Do you have to get a pre-approved home loan?***

The short answer is no. Pre-approval is not necessary with most lenders but it sure can help because it lets you know a lender has reviewed your situation, and if there are no adverse changes would lend you the money. Plus, it gives you peace of mind when house hunting to know how much you could borrow and what you are comfortable paying back – especially during an auction!

Pre-approvals aren't straight forward – although they are much easier when you have a finance specialist (us!) on your side working through the application process.

## **Pros and cons of home loan pre-approvals**

### **PROS**

- Gives you a better picture of whether you can afford to buy your dream property.
- It gives you an idea of the type of loan you can afford.
- Generally, they last three to six months giving you plenty of time to find the right property.
- Gives you the ability to make a serious offer.
- Can potentially speed up the loan approval process once an offer has been accepted.
- Gives the real estate agent confidence that your finances are in order.

### **CONS**

- It is not a 100% binding guarantee of finance. Things can and do change which may affect your ability to service a loan.
- Changing interest rates can affect your ability to repay the loan which could cause lenders to reassess your application.
- Going 'lender shopping' and getting multiple pre-approvals can negatively affect your credit score. We recommend you decide on the one lender you will use (with our help) and then seek pre-approval.
- Unacceptable properties may be rejected.
- A home loan may be rejected due to the valuation being less than the price paid or estimated for the property.



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Generally, you should only seek pre-approval when you can afford the home loan and are in a position to purchase. A good first step, and one your finance specialist (us!) can help with, is reviewing your budget, income and expenses and savings buffer to help calculate your borrowing power.

We will help submit all your paperwork. We know what questions to ask to ensure you lodge all the necessary information with your loan application.

In the market to purchase a home or investment property and want to know more about pre-approvals? Chat to our team today.