

Do You need a pre-approval?

Stage one: Conditional Approval – This is when a lender has agreed in principle to approve an application but can't fully approve things until you locate a property and/or you provide the remaining paperwork to complete the process.

Stage two: Unconditional or Formal Approval – This is when the lender has completed all their checks and makes you a formal offer to lend you money. This is when you can pay the balance of your deposit and commit in full towards the property purchase.

Pre-Approval: (Conditional Approval)

You don't need to have a pre-approval before you can make an offer, but if you have time, it's generally considered best practice.

A pre-approval can be arranged before you have located a property. This will provide confidence that when you do locate a property, the lender will support your application (subject to valuation and any other conditions) when the time comes.

It can also assist in the process because the bulk of the loan application has been completed and is already with the lender. When you locate a property and have your offer accepted, all we need to do is supply any documents that need to be updated, plus a copy of the contract of sale.

This process usually means that your application will get to an unconditional/formal approval quicker, meaning you can secure the property sooner and lessen the likelihood of missing out on the property to another purchaser.

Note: Often, lenders take longer to action pre-approvals because they give priority to other applications that borrowers have already located a property for. This is because they are ready to proceed and are generally under a cooling-off period.

You don't need to have a Pre-Approval before you can make an offer

People often assume that you need to have a pre-approval before you can make an offer. This is NOT the case. It's not uncommon that borrowers find a property they want to make an offer on before they get to the stage of arranging for a pre-approval.

If you locate a property beforehand and have your offer accepted, you will need to move quickly to avoid missing out on the property.

Often, the agent will want you to exchange the contract and enter into a [cooling-off period](#). You will usually be asked to pay a 0.25% non-refundable deposit. This is essentially a show of commitment to the vendor that you are serious about buying the property.

The agent will usually offer a five day cooling-off period for you to have your finance formally approved. This time is generally insufficient as the process generally takes between 5-10 business days. We suggest you negotiate ten days upfront or tell the agent that you are waiting on the lender and that you may need to extend the cooling-off period to 10 days.

We always suggest that you wait until the lender has issued the unconditional approval before paying the deposit balance and letting the purchase contract go unconditional.