

## obtaining finance approval



Anyone interested in selling or buying a home of late undoubtedly has noticed that there are less non-bank lenders in the market place competing for the business of would-be property purchasers.

The finance world is in a state of flux at present, creating a challenge for some buyers. The major banks are watching each other closely and communicating via the media. One by one they're changing the rules and reducing their exposure and risk.

Lenders across the board are tightening credit policy. The traditionally cyclic banking world is returning to policy last seen 15 years or so ago in response to a world-wide credit crisis.

Most lenders pulling maximum loan to value ratio's back to 90%. It's almost a 'back to the future' scenario as it was in the 80's & 90's - lenders and mortgage insurers insisting that borrowers need to show 3-5% genuine savings, regardless of whether the FHOG is enough to complete.

To the buyer looking for the necessary finance for his or her dream home - particularly in a tight market when there may be other- people seeking the same property - the concept of an almost instantaneous approval is now unlikely. We're noticing with the major banks that 14 day finance periods are often not sufficient as service levels have deteriorated with blow outs and in the extreme case, a month plus for loan processing may be required.

While the "subject to" condition helps the buyer, the seller who enters a contract such as this is left wondering - possibly for days - whether or not the property is actually sold. Sellers have become wary of allowing buyers to enter agreements that provide the buyer 21 or more days, simply because they know cashed-up buyers may walk away while this waiting goes on.

So what to do? The smart buyer will obtain pre-approval to spend a certain amount of money, before entering a contract. The bank will still want to value the property - but that can occur within the period of the contract - instead of adding days to the waiting period. It is also advisable that the buyer includes a 14 day 'subject to finance' clause and perhaps consider one of the smaller banks, like Bank of Queensland or Bendigo who sometimes have a faster turnaround period.