

How to get your home-buying bucks in a row

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When an estate agent has to "sell" a property three or four times in order to find a buyer who can qualify for a bond, it is not just a waste of time for that agent but stressful for the property seller - and disappointing and even embarrassing for the prospective buyers who do not qualify.



Image source: Gallo/Getty

However, there is a solution which is for all prospective buyers to obtain bond pre-qualification before they even start looking for properties to purchase – and for agents to encourage them to do so before they introduce them to any of the homes they have listed for sale.

Determining eligibility

The purpose of pre-qualification is to determine how much a buyer is eligible to borrow – and thus the size of home loan for which they are likely to be approved. A pre-qualification is not a “guarantee” that a loan will be approved but it does offer many benefits, including the fact that it helps buyers narrow their home search to properties that they know they can afford.

This means that they will be able to spend more time thinking carefully about the pros and cons of the properties that they do view to see which matches their requirements most closely. In other words, it gives them more chance of finding their ‘perfect’ home, while knowing that they won't have to scramble at the last minute to find a loan to finance their purchase.

What is more, pre-qualification serves as a strong indication to home sellers that they are dealing with a serious buyer who has the means to complete the purchase, and this improves the likelihood of offers being accepted without lengthy and stressful negotiations.

Improving financial position

In other instances, applying for home loan pre-qualification may indicate to buyers that they need to improve their financial position or credit record before they can start looking for a home. But even that is positive as it saves them time and potential embarrassment. And any steps they then take to pay off debts or repair their credit can pay off handsomely by

enabling them to qualify for a bigger loan in a few months' time.

In a perfect world, all home buyers would apply for pre-qualification as soon as they decide they are ready to buy, but this is currently not the case because many people think the process will be too complicated.

It is thus very important for agents to convey the benefits of pre-qualification – and to explain to buyers how easy and smooth the process can be if they apply through a reputable bond originator familiar with the loan criteria for all the major lenders as well as the rates or loan options that may be available to each borrower.

Paperwork

To make things even easier, prospective buyers who want to apply for pre-qualification should first assemble the necessary paperwork, including three to six months' pay slips and/ or bank statements; income tax returns; lease and rental payment information if they are renting; documentation as to the nature and extent of their monthly expenses; and their company's financial records if they are self-employed.

They should also expect a credit check to be performed so that the lender can identify other debts attached to their name, their record of debt repayment and any outstanding judgments against them.

Then, finally, buyers need to know that they will usually only have a few months to find the right home before their pre-qualification expires. Estate agents who know them and have helped them through the pre-qualification process are in the best position to help them do this.

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