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The Hidden Trap in Real Estate Contracts

Recent changes aimed at protecting consumers in South Australia could actually end up costing you thousands. Consider the following:

Buying your dream home

You have found your dream home, it's been given the 'thumbs up' by the building inspector and are ready to put pen to paper and make an offer. You are a smart buyer so you have naturally consulted with a Loan Hound Mortgage Consultant before submitting the offer and will be protecting yourself further by making the offer 'subject to finance approval.' You then receive a call from the Sales Agent to say your offer has been accepted... everything is peachy!

Even though you have taken all of the right steps to buy the house there is one hidden danger in the purchase contract that could end up leaving a very sour taste in your mouth... and rather large hole in your pocket!

The trap!

Making your offer 'subject to finance approval' is aimed at protecting you in the event that you are unable to get finance approval for any reason. However the new contracts used by most Real Estate agents in South Australia can now lock you in if the lender grants "conditional or unconditional approval." .

When assessing your loan application lenders will generally grant an approval subject to verifying different criteria - i.e. your credit history, your employment, income and conducting a valuation on the property you are buying. This is a 'conditional approval.' If the lender is not satisfied with one of the mentioned criteria (eg your credit history) and declines your loan, you are still locked into the purchase contract because a "conditional approval" has technically been granted.

How to avoid this trap?

You can simply strike out the words "conditional approval" on the purchase contract and ensure all parties involved (including the sales agent) initial next to this change.

Another handy hint brought to you by ***theloanhöund***