



**CHALLINOR**

# The Myth of the 'Pre-approval'!

With a pre-approved car loan, you will know exactly how much you have to spend when buying your new 4WD

**H**ave you ever heard the term 'pre-approval'? Many times I would suspect! There is a 'pre-approval', and there is a 'pre-approval'. If ever you see the term 'pre-approval in five minutes, 10 minutes or 20 minutes over the phone', this is nothing more than a sales tool to lure the unsuspecting consumer and get them 'off the market' as quickly as possible.

There are finance professionals around that offer this so-called service with the attraction of being approved in 20 minutes. Quite simply, if it's too good to be true, it normally is. Finance people can ask you questions like 'What is your income?', 'How long have you been in your current job?', 'What are your loan payments/balances?' etc. These are all standard questions any finance specialist will ask. The decision they make in the '20-minute pre-approval timeframe' is nothing more than an indication of whether they think it will be approved or not. They will still tell you that you must provide satisfactory documentation (payslips, tax returns, copy of driver's licence etc).

The actual pre-approval can only be issued by a bank (or lender providing the funds). In a past article, I wrote about the National Consumer Credit Protection Act (NCCP) explaining how reasonable enquiries/satisfactory documentation must be provided. This process, if done correctly, does take time. There is a set procedure that is required to be followed

for both your finance specialist and the bank. The bank's procedures require them to verify your income details, confirm your credit history, and conduct a full assessment on your application, then have it all loaded on their system for further verification.

Under the above scenario, the bank doesn't need to know the exact vehicle you are buying for this stage of the application. Simply, they only need to know that you are looking at a new LandCruiser for \$80K, or a new Land Rover for \$90K, or whatever type of vehicle you choose. By having your loan pre-approved by the bank, you can then go shopping knowing that the approval is for real (generally subject to a suitable vehicle). An added benefit of a formal pre-approval, for the savvy negotiator, this will allow you to do a better deal for yourself with the dealership, as you are in a position to take immediate delivery.

If you have a '20-minute pre-approval', you will probably have a very lengthy list of conditions that still need to be complied with (such as clear credit check, verification of address, employment, payslips etc), and if these aren't complied with, then the conditions of the loan aren't met and the settlement can't take place. This can place you in a difficult position with the dealer.

**Dave Challinor**



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With over 20 years of banking and finance experience, Dave has been exposed to and witnessed every possible change in the financial environment. From bank policy shifts to continually increasing governmental legislation, there is really no form of lending that Dave has dealt with. Being the owner of Fortified Finance & Leasing in Brisbane's North, Dave stays abreast of any changes in lending requirements that affects any consumer.