Five ways to shorten the home loan application process

Good preparation is the key to success in most endeavours – and home loan applications are no exception, says Shaun Rademeyer, CEO of BetterLife Home Loans, SA’s biggest mortgage originator.

Although you can expect your mortgage originator to ask you lots of questions, he says, you can make the process easier and faster if you have the following information and documents ready:

Your credit record
You are entitled to a free credit report every year and it is a good idea to get yours and check it well before you think of applying for a home loan, because you may need some time to clean it up. It is definitely worth doing this and improving your credit rating, as that will usually not only improve your chances of being approved for a home loan, but also of securing a better interest rate – and that can save you many thousands of rands over the life of the loan. In addition, you need to remember not to apply for any new credit until your home loan application is approved and your new home is transferred into your name.

Proof of income
You should be prepared with payslips, copies of work contracts and any other documents that can help verify your income from employment for the past two to three years. If you are self-employed, you will also need both personal and business bank statements and financial statements for that period. In both cases you should also bring your latest tax returns and assessments and if you have any other sources of income, such as rental property, alimony, investments or a home-based business, you must also declare them.

A list of your current debt commitments and living expenses
What lenders want to know is if you will have enough of your take-home income left after these monthly payments to be able to comfortably afford the mortgage instalment. So in general, the more debt you have, the less likely you are to be approved for a home loan. Debts and expenses to put on the list include student loans, car loans, credit card and store card balances, rent, school fees, utility costs, medical aid contributions, insurance premiums and your monthly transport and food costs.

Proof of cash reserves and other assets
Your mortgage originator will need to know how much cash you have available for a deposit on your chosen property as well as the additional costs of a home purchase, such as bank and legal fees and any transfer duty that may be payable. The bigger your deposit, the more likely you are to qualify for the loan, and the more likely your application will be approved, because lenders like it when homebuyers commit some of their own money to the purchase. If you have other assets such as a rental property, holiday home, share portfolio or valuable collectibles, you should also list these.

Use of property
This will probably not be an issue if you are planning to use the property as your primary residence, but if you are buying it in order to rent it out, you should provide a copy of the current lease, or an estimate from a recognised managing agency of the rental income you are likely to receive once the property is let. The banks use different credit criteria when assessing loan applications for secondary properties – and those for vacant land on which the purchaser intends to build or develop. To get you the right loan, your originator needs to know what your plans are.

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