



PRACTICAL GUIDE

Subject-to-Finance Clauses Done Right

How to write a finance condition that protects you without scaring vendors away, Victorian wording examples included.

How a subject-to-finance clause works

- Clause makes the contract conditional on you securing finance approval.
- Typical timeframe: 14 to 21 days from contract.
- If finance is declined, contract can be terminated and deposit refunded.
- Requires written notice of decline within the timeframe.

Specifying the clause properly

- Name the specific lender(s); 'a major bank' is too vague.
- Loan amount as a specific dollar figure.
- Interest rate ceiling to avoid being forced into a worse-than-market loan.
- Reasonable terms language to prevent silly lender conditions counting as approval.

What can go wrong

- Bank pre-approval doesn't equal unconditional approval; valuation can fall short.
- Lender adds conditions you can't meet (e.g. sale of existing home first).
- Valuation comes in below contract price, lender reduces loan amount.

Best practice

- Get unconditional pre-approval before signing where possible.
- Order valuation early in the subject-to period.
- Communicate weekly with broker; don't let the clock run out.

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