

UNDERSTANDING PRE-QUALIFICATION VS. PRE-APPROVED

Pre-Qualified

Getting pre-qualified is the initial step in the mortgage process, and it is generally fairly simple. You supply the lender or bank with your overall financial picture, including your debt, income and assets. After evaluating this data, a lender can give you an idea of the mortgage amount for which you will qualify. Pre-qualification can be done over the phone, internet or in person. Generally, there is no cost involved. Loan pre-qualification does not include an analysis of our credit report or an in depth look at your ability to purchase a home.

The initial pre-qualification step merely allows you to discuss any goals or needs you may have regarding a mortgage with your lender. At this point, a lender will generally explain the various mortgage options and recommend the one that might best fit your situation.

Because it is a quick procedure and based only on the data you provided to the lender, your pre-qualification is less of a “sure thing” than pre-approval. It is merely the amount you might be approved for when you move forward. For this reason, a pre-qualified buyer does not carry the same weight as a person that has been pre-approved.

Pre-Approved

Getting pre-approved is the next step in the loan process and is therefore more involved. You will complete a mortgage application. In addition, you will have to provide extensive data to the lender so they can begin to fully evaluate whether you can be approved. Part of this process will include the lender pulling your credit report. After this review, the lender can determine the specific loan amount for which you are approved. Also, you may want to “lock” a loan rate at this point too.

With pre-approval, you will get a conditional commitment in writing for a specific loan amount. This will help you establish what homes you should be considering. Having this data in your pocket helps you negotiate more strongly with a seller because most of the approval process is well behind you. Your last step is a final “loan commitment” which comes later after you have found your home.

Being pre-approved allows you to move quicker once we find the house you desire. This will generally allow you to shorten the time between offer and final closing on the property. **As a result, we recommend the extra effort to be pre-approved before starting a home search.**