

Preapproval vs. Prequalifying

A Pre-Approval presents a powerful tool for you toward the purchase of that new home with minimum of surprises and disappointments. It presents you similar to a "cash" buyer to the seller.

Get a Lender on your Team

Anyone who wants to buy a home today should go to his or her lender ***first***. The understanding of how much can be borrowed presently reduces the possibility of disappointment later. Your lender can provide guidance as to how to prepare and position you to be ready to purchase once you find that perfect home.

A realistic understanding of how much loan you can reasonably expect to qualify for is a good step toward the goal of homeownership, and a letter of pre-approval can be the mechanism that makes that happen. There is a distinct difference between a letter of pre-qualification and a letter of pre-approval, and it is important that you be aware of this distinction.

Pre-Qualification

Pre-Qualification means there have been loan calculations made that show how much you "may" be able to borrow. While pre-qualification can reduce the processing time for home loans, indicate how much house you can afford, and provide certain leverage in bargaining power, it doesn't necessarily guarantee that such a loan will, in fact, be made by a lender.

Pre-Approval

Pre-Approval means you actually have a loan waiting, subject only to finding the home and the home appraising at the sales price. The "pre-approval" letter represents an actual commitment on the part of the lender. In order to secure such a letter it is necessary to complete a formal loan application and pay the associated fees. Credit, salary, and bank funds, will be checked, and if the loan is a good investment, the lender will issue a pre-approved letter that provides a commitment for a limited period of time, subject to a satisfactory property appraisal and title search.