



Pre-Approval vs. Pre-Qualification

A pre-approval presents a powerful tool for you towards the purchase of that new home reducing any surprises and disappointments. It presents you as a "cash" buyer to the seller.

Anyone who wants to buy a home today should go to his or her lender first. The understanding of how much can be borrowed reduces the possibility of disappointment later. Your lender can provide guidance on how to prepare and position for a home that is currently out of reach.

A good first step towards home ownership is a realistic understanding of how much money you can borrow. A letter of pre-approval can be the mechanism that makes this 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's been some loan calculations made that show how much you "may" be able to borrow. While pre-qualification can reduce the amount of processing time needed to obtain a loan, it indicates how much house you can afford, it also provides a certain amount of leverage and bargaining power. It doesn't necessarily guarantee that the lender will in fact make such a loan.

* Pre-Approval

PRE-APPROVAL - means you actually have a loan ready and 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. If the loan satisfies all lending requirements, the lender will issue a pre-approval letter, which provides a commitment for a limited period of time, subject to valid sales contract and a satisfactory appraisal.