

# Pre-Qualifying for Your Mortgage

The difference between Pre-Qualify and Pre-Approval, and when to take this step

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Your mortgage is a very important component of the overall home buying process. Unless you are paying cash for your new home, successfully getting a mortgage is essential to completing your goal of buying that new home.

Most home sellers and their listing agents will want to see that a potential buyer (that's you) is pre-qualified for a mortgage. Even better, they want to see the buyer is pre-approved. Sellers and listing agents often will want to see a pre-qualification or pre-approval letter included with the offer from a buyer. Many listing agents will discourage their seller from seriously considering an offer until a pre-qualification or pre-approval letter is provided. This gives them confidence that you can complete the transaction successfully and that it is safe for them to accept your offer and remove the home from the marketplace of other potential buyers.

Pre-Qualification means that a lender has reviewed your credit report and considered your income and assets to verify you are qualified to buy a home up to a certain price point. For pre-qualification the lender can just take verbal or written information about your income and assets, but they must pull your credit report.

Pre-Approval is similar to Pre-Qualification, but with the additional criteria that the lender have proof of your income and assets and any other essential information for you to get the mortgage. Generally this means you have provided copies of tax returns, W-2's, pay stubs, bank and/or investment account statements.

Should you make an offer on a home that is a foreclosure, that seller (a bank) will demand the full pre-approval letter – they know the difference between the two types of letters.

If you make an offer on a home involved in a short sale, you can also expect a demand of a pre-approval letter. (A short sale results when the seller won't be repaying all of their outstanding mortgage balance, thus the seller's lender must approve the final sales price and contract.)

Getting pre-qualified and/or pre-approved is free with most lenders and obligates you to nothing. It places you in a position to make offers and to have clarity on exactly what you can afford. You will also often find many other bits of useful information to help you in the home buying process by getting pre-qualified.

When should you get Pre-Qualified or Pre-Approved? Early is better than later. As a lender, we often have clients get pre-qualified many months and sometimes a year prior to purchasing their home. This alerts them to any surprises on their credit report. It also allows time for them to make any corrective actions to their down payment strategy. They might change where they hold their money, and even the way they handle retirement contributions and other income decisions. Sometimes customers call and they are already under contract, but they were never pre-qualified or pre-approved. They have already spent money on inspections, earnest money, and option fees, not to mention the immense time they have spent in searching for their new home. Sadly, we sometimes have clients all the way at that point and we have to burst their dreams because they don't qualify for a mortgage. Perhaps there is a surprise on their credit report hindering their ability to get the mortgage. And there is simply not enough time to get issues resolved for purchase of that home. So, the moral is get pre-qualified earlier rather than later.

If we can help with your personal pre-qualification or pre-approval, give us a call!

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