



Home-Buying Process

Pre-Qualification or Pre-Approval

Home-Buying Process: Pre-Qualification or Pre-Approval

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After researching the different types of loans and where they are available, consider getting pre-qualified or pre-approved. It is common for consumers to confuse these financial reviews. The main difference is that pre-qualification gives you tentative approval and pre-approval is a definite approval. Both types will give you an estimated loan amount for which you qualify. Take the pre-qualification or pre-approval letter to your real estate professional and he or she can show you houses in your price range.

Pre-qualification is an informal way a financial institution can determine the amount you can borrow to finance or refinance a house. It is important to know that the financial institution is making a tentative decision based on information that has not been verified. You can be pre-qualified by giving the lender some basic information over the phone, such as:

- Employment
- Income
- Down payment information, and
- Outstanding debts

Pre-approval is a commitment from the lender to lend you money. The pre-approval process allows you to know how much you can borrow and tells sellers you are approved to buy a house. Pre-approval is contingent on meeting the requirements of the title, appraisal and inspections

determined by the lender at the time of pre-approval.

To obtain pre-approval, assemble financial records and fill out an application. You will usually need:

- Pay stubs for the last two to three months
- W-2 forms for the last two years.
- Tax returns for the last two years
- Information about your assets and long-term debts
- Recent bank statements
- Proof of any additional income – you do not need to disclose alimony or child support payments unless you want them considered in repaying the loan.

References:

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This resource is one in a series on the Home-Buying Process which include:

Financial Readiness

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Finding Mortgage Money
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Down Payment and Closing Costs
Pre-Qualification or Pre-Approval

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