



"Pre-Approved" vs. "Pre-Qualified"

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Ask any Realtor, and especially any would be Seller; getting "Pre-Approved," or at a minimum, "pre-qualified" is essential prior to making an offer on their home. The difference between the "Pre-Approval," and the "pre-qualification" is basically the difference in documentation, and the degree of information a Lender has obtained in determining your ability to reach the ultimate "Clear-to-Close" on your Home purchase.

Pre-qualification: Any prospective Buyer should at least be pre-qualified. In doing so, a thorough pre-qualification will allow the Lender to compute debt-to-income ratios, analyze credit, and discuss program options based on available funds that the Buyer may or may not have to work with. Even if you are certain in your ability to obtain a Mortgage Loan Approval, a pre-qualification from an Experienced Lender can assist you by informing you of the documentation requirements that come later, and perhaps shed some light on financing options and newer regulations that you might not have been aware of. In short, a pre-qualification can make the home purchase go much smoother for you after executing your purchase agreement, greatly reducing the chance of surprises and hassle.

Pre-Approval: For many Buyer's, a solid Pre-approval is essential. In getting pre-approved, the Lender actually "verifies" such things as employment, wages, funds available to purchase (or to be gifted), rental history, credit history, etc. The "verifying" part is key, rather than obtaining "verbal" information from the Buyer as in many pre-qualifications. After the verifications are reviewed, and everything checks out, the Lender is able to issue a solid "Pre-Approval Commitment" for the Buyer on a Home "to be determined," or a specific Home that has a payment within their debt-to-income ratios.

Additional Benefits of the Pre-Approval: I have often heard that the Buyer's with a Pre-Approval letter from a trusted, local Lender often helps in their negotiations with the Seller. The Pre-Approval then allows the formal loan on the specific property to go quicker and smoother, and in many cases, to be closed within just 3 weeks on Conventional & FHA Loans, and 4 weeks on VA Loans. Finally, the Pre-Approval is a chance for the Buyer to have had all loan options reviewed and discussed thoroughly with a Lender. Having financing examples to review, including monthly payments in various price ranges, closing costs, escrows, and to have their questions answered takes the surprises out later when the Buyer does find their Dream Home. It also takes out the surprise of the Buyer's ability to be approved, so they can look for homes with full confidence. It may also help them be a more competitive Buyer over other Buyers who are not Pre-Approved.

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