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The Pre-Approval Process

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You may have heard about getting pre-approved or pre-qualified for a mortgage before you buy a house. Why should I get a pre-approval? What is a pre-approval? How is a pre-approval different from a pre-qualification? Is the process difficult, expensive and time consuming?

If you look at the home purchasing process from the seller's viewpoint, the seller would like to have a buyer come forward with cash in their pocket to make an offer on their house. If you were selling a used car would you not prefer a buyer with cash compared to a potential buyer that might be able to borrow money from his brother to buy your car? The same applies to the purchase of a house. A pre-approved buyer is as close to a "cash" buyer as possible while still using a mortgage for the purchase. A pre-approved buyer's offer is viewed much more seriously by the seller. Often that translates into your offer being accepted over a competing offer. It might even allow you to negotiate a lower price or better terms than the buyer that might be able to get a mortgage.

In the pre-approval process, we examine the key factors in your financial background needed for you to be approved for a mortgage; assets, liabilities, income, credit and equity (A.L.I.C.E) When we have verified these items, we are able to issue a written pre-approval that specifies the maximum Sales Price and Mortgage program of your approval. You can then house hunt with confidence knowing you can purchase the home of your dreams!

Some lenders do a pre-qualification. How is this different from a pre-approval? A pre-qualification is usually made after a brief phone call between the borrower and the lender. Using unverified, verbal information and a few simple ratios a "guess" is made as to how much home you can purchase. Unfortunately, when the real, complete information is gathered the original guess is sometimes wrong. It might be that you aren't actual able to be approved for the house you have fallen in love with, even though you were "pre-qualified". Sometimes the opposite is also true, you passed on the perfect house because you didn't think you were qualified for that Sales Price. You might have been assisted by a "special first-time buyer program", that wasn't considered during the "pre-qualification".

We try to make the Pre-approval process as easy as possible. You will be asked to gather some basic documentation for each of the five factors considered: assets, liabilities, income, credit and equity. The following are typical requirements:

- 1. Income for each borrower: a) Pay stubs for the last 30 days b) W-2's for the last 2 years.*
- 2. Credit: You will be asked to provide the full name, current address and Social Security number for each borrower so that an in-file credit report can be obtained.*

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3. Liabilities: These will be shown on the credit report. We will review the report during the pre-approval process to verify the credit report information. Therefore it is useful for you to list your liabilities before the pre-approval appointment.

4. Assets: Bank statements for the last two months for checking and savings accounts. The most recent statement available for retirement and investment accounts.

5. Equity: Your source and availability of funds for a down payment (savings, checking, gift etc.) If you don't have a down payment, don't panic. We have programs that require ZERO down payment.

6. Other items: Your Home Loan Specialist might ask you to provide additional items if your financial background is a little more complicated. For example: if you have had a bankruptcy, receive or pay child support, or are self-employed. Please ask your HLS for details.

*You might have noticed, not only is the Pre-Approval Process simple, it is FREE! *(The only exception is if we have to order a full credit report to resolve credit issues)*

What are you waiting for!!! Let's work together to get you approved for the house of your dreams!!!