
PRE-QUALIFICATION OR PRE-APPROVAL: WHAT'S THE DIFFERENCE?

The difference between a Pre-Qualification and a Pre-Approval lies in the documentation that is provided to the lender.

Pre-Qualification

A quick evaluation of your ability to qualify for a mortgage loan.

Your lender will need:

- Credit info. You can provide an estimate of your credit score and a list of monthly debts OR provide a current mortgage credit report OR provide your name, address and social security number so a credit report can be obtained
- Employment information and income figures
- Amount and source of funds available for the down payment

Your lender will be able to provide an estimate of how much you can qualify for assuming your income, debt and asset figures are accurate

Pre-Approval

A review of your credit, income and asset documentation. Your lender will need:

- Name, address and social security number so a credit report can be obtained
- Address and Employment history (min 24 months)
- Income documentation. Minimum documentation needed will depend on your source of income. A salary or hourly person with no overtime, bonus or commission income who takes the standard deduction on tax returns may only need to provide paystubs. Self-Employed person or someone who receives bonus, overtime or commission income will also need to provide W-2's and tax returns for the two most recent years.
- Bank statements for most recent two months to verify source of down payment

Your lender will review the information and obtain an automated underwriting loan approval. Additional questions or documentation may be needed based on the information in the documentation provided.

There is one other type of pre-approval you can obtain while house hunting.

Conditional Underwriting Approval

A review of your credit, income and asset documentation by a mortgage underwriter.

Your lender will need all of the information listed in the pre-approval list. The approval will be subject to any borrower conditions that the underwriter deems necessary. Property conditions (contract, appraisal, title report etc.) will also be part of the loan approval conditions.

In a competitive market, a stronger approval status may make the difference between an accepted offer and missing out on the home you want.

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