

Pre-Approval vs. Pre-Qualification

What is the difference between a Pre-Approval and a Pre-Qualification?

Pre-Approval

A written commitment issued by a lender after a comprehensive analysis of the creditworthiness of the applicant, including verification of income, resources, and other such matters as is typically done as part of a normal credit evaluation program.

Conditioned upon the following:

1. Identification of a suitable property
2. No material change in the applicant's financial condition or creditworthiness prior to closing
3. Limitations not related to the financial condition of creditworthiness of the applicant that a lender ordinarily attaches to a traditional mortgage application, such as completion of a home inspection, acceptable title insurance binder, certification of clear termite inspections, etc.

The issuance of a pre-approval letter implies that a credit decision has been rendered and a mortgage commitment letter is available which also means that the loan has been submitted to underwriting.

Pre-Qualification

The estimation of your borrowing power from a lender and can be accomplished with a simple phone call.

The pre-qualification is based on:

1. Income and debt levels that you provide to a lender.
2. Possibly (but not always) a credit check.

A pre-qualification is a determination on whether the prospective loan applicant would *likely* qualify for credit under a lender's programs and standards, or a determination on the amount of credit the prospective applicant would *likely* qualify.

Which is better?

The pre-approval is a more complete and formalized process where the borrower actually meets with the lender and supplies him with the last 2 years income tax returns, bank statements, W2's, etc. The lender asks about employment and runs a credit report.

A pre-approval helps take the guesswork out of buying. There is a firm figure that you, the purchaser and seller can work with in confidence. Securing the commitment from the mortgage company is much closer to reality with a pre-qualification than with a pre-approval - which is of tremendous benefit during deal negotiations.

By speaking with a lender, affordability parameters and appropriate loan programs are identified. Details such as the amount of cash required to close are also determined which is essential information for the purchaser of the property.

goodmortgage.com provides:

- ✓ **Written Pre-Approval Letters**
that can be utilized during home selection
- ✓ **Mortgage Commitment Letters**
after the home selection is made and the loan is in process