

How to Get Pre-approved for Your Mortgage

Shopping for a home without a mortgage pre-approval is like walking into a mall without your wallet. Yet, many homebuyers fail to get a loan approval. If you get a preapproval your home buying journey will be a lot less stressful. Serious homebuyers start the buying process with a loan preapproval.

First of all, don't confuse prequalification with pre-approval. Prequalification is a lot less valuable than pre-approval. A pre-qualification is based on information you provide the lender. It is basically an estimate. There is no verification. A preapproval is a lot more valuable for you. Preapproval is what you really want. A lender will pre-approve you for a loan based on verified information. The lender will check your credit score, ask for documents and additional information. Once the information is verified you will be pre-approved for a loan.

Why should you get pre-approved for a mortgage?

Before you fall in love with a home it is important to be pre-approved for a mortgage. If you have been preapproved for a loan you can search for your dream home with confidence. Pre-approval is an important first step toward homeownership. Even though a pre-approval is not a loan commitment, it helps speed up the underwriting and loan approval process.

You can benefit from a loan pre-approval several ways:

- You are more competitive with a pre-approval. If you find your dream home, your offer might beat out other offers that do not include a pre-approval.
- In competitive markets, such as Allston-Brighton, the Back Bay, Beacon Hill, Jamaica Plain, and the South End, some sellers require a mortgage pre-approval before they accept an offer.
- A pre-approval gives you peace of mind. You know how much house you can afford.
- A mortgage requires a lot of paperwork. The pre-approval process gives you a head start on your home buying journey.
- A pre-approval reduces the possibility of surprise from your home buying process.

What documents do you need to get pre-approval?

Lenders ask for a variety documents such as:

- Social security number - The lender requires anyone on the loan to provide a social security number. The social security number is also used to pull your credit.
- Proof of employment - You have to provide pay stubs and a list of jobs for at least the last two years.
- Tax returns for the last two years

- W-2s for the last two years
- Bank statements
- Your credit report

It is important that you check your credit report before you apply for a mortgage preapproval. You can get a free credit report at [Annual Credit Report.com](https://www.annualcreditreport.com).

How long does it take to get pre-approved for a mortgage?

There are two stages of loan pre-approval. The first stage is self-assessment. That is when you decide how much you are comfortable spending each month for your mortgage payment. Think about it: if you are currently spending \$1200 each month on rent and writing a \$2,500 check makes you uneasy, you are already setting your own limits. This is a great way to start your pre-approval process before you even talk to a lender.

Once you have determined how much you can afford, it is time to talk to a lender. Credit unions will provide you with a Good Faith Estimate and documents that explain the lending process, your rights and obligations. If you are struggling to get a low-interest rate, look at Community Credit Union's rates. It is important to do your own research before you meet with the lender. When you meet with a mortgage professional ask questions. Seek out answers.

What happens if you are pre-approved?

At the end of the pre-approval process, the lender will provide you with a good faith estimate (GFE). The GFE will spell out the terms of the loan the lender offers. The GFE includes details such as interest rate, loan type (30 years, 15 years, fixed-rate, adjustable, etc.) and closing costs.

The pre-approval doesn't mean that the lender guarantees you the loan. The pre-approval is nothing more than a good faith estimate. After the pre-approval, during closing, you will still have to go through the final approval and underwriting process.

The bottom line

There is no house shopping without loan shopping. Buying a home is one of the biggest investments of your life. If you don't understand something, speak up. Talk with financial professionals, ask friends and family who already went through the home loan process. Consulting with your credit union before you start the homebuying process can reduce the stress involved. Determine your budget and get your paperwork ready for your mortgage pre-approval before you start house hunting.