Pre-Qualification vs. pre-approval

Before searching for a home, it is important to understand how much you may be able to afford. Two terms you will commonly hear are **pre-qualification** and **pre-approval**.

What Is a Pre-Qualification?

A pre-qualification is an early estimate of how much money you may be able to borrow. A lender may ask for basic information about your income, debts, savings, and credit.

A pre-qualification can help you:

- Get a general idea of your price range
- Begin planning your home-buying budget
- Learn which loan options may be available
- Identify financial areas that may need improvement

Because it may be based on information you provide before all documents are reviewed, it is generally considered a starting point rather than a final lending decision.

How Do You Get Pre-Qualified?

Contact a mortgage lender, bank, or mortgage broker and provide basic information about:

- Your income and employment
- Your monthly debts
- Your savings and available down payment
- Your estimated credit history
- The type of property you hope to purchase

The lender will use this information to give you an estimated borrowing range.

What Is a Pre-Approval?

A pre-approval is a more detailed review of your financial situation. Depending on the lender's process, you may be asked to complete a loan application, provide financial documents, and authorize a credit review.

The lender may then provide a pre-approval letter showing the amount it may be willing to lend, subject to certain conditions.

A pre-approval can help you:

- Understand a more realistic home-buying budget
- Show sellers that you have spoken with a lender
- Strengthen your offer when competing for a home
- Discover possible loan concerns before making an offer
- Move more quickly when you find the right property

A pre-approval is not a guarantee that the loan will close. Final approval will depend on updated financial information, the property, the appraisal, underwriting, and the lender's requirements.

How Do You Get Pre-Approved?

A lender may request documents such as:

- Recent pay stubs
- W-2 forms or tax returns
- Bank and investment statements
- Identification
- Employment information
- A list of debts and monthly payments
- Information about your down-payment funds
- Permission to review your credit

Self-employed buyers may be asked to provide additional income and business documents.

Which One Should You Get?

A pre-qualification can be helpful when you are first considering homeownership and want a general idea of what may be possible.

When you are serious about touring homes and preparing to make an offer, a pre-approval letter may give you and the seller more confidence that you are financially prepared.

Every lender's process is different, so ask:

- What documents did you review?

- Did you review my credit?
- Has an underwriter reviewed my information?
- How long is the letter valid?
- What conditions still need to be completed?

Your Next Step

You do not have to figure this out alone. I can connect you with trusted lending professionals who can explain your financing options and help you prepare for the home-buying process.

Once you have your pre-approval, we can begin searching for a home that fits both your needs and your budget.