

## PRE-APPROVAL FAQs

### WHAT IS A PRE-APPROVAL LETTER?

A Pre-Approval is a letter prepared by a loan originator at a bank. It states that a buyer's credit has been reviewed and the buyer "*appears*" to be qualified to borrow a certain amount of money to purchase a home based on information the buyer has represented to the loan originator.

### WHY DO I NEED A PRE-APPROVAL LETTER?

Most realtors will not take a client out to look at homes without a Pre-Approval letter because they want to be confident that the buyer is qualified to purchase the homes they are being shown. Sellers typically require that a Pre-Approval letter be submitted along with any offers.

### HOW MUCH DOES IT COST TO GET PRE-APPROVED?

It's FREE. We do not charge for issuing the letter.

### HOW LONG DOES IT TAKE TO GET PRE-APPROVED?

It depends on the complexity of the file. Once a buyer submits their documentation, I can typically issue a Pre-Approval letter within a few hours. A buyer who has complicated finances or owns their own business will need to submit more documentation and it might take considerably longer depending on the complexity.

### DO I HAVE TO PROVIDE ALL OF MY DOCUMENTATION?

Some buyers like to provide the minimum amount of information until the purchase is under contract. The problem is, it's typically the information not provided that leads to problems. If a buyer leaves out information that turns out to be important, there is a chance we could issue a Pre-Approval letter and then NOT be able to close the loan. We obviously want to avoid this from happening. To prevent it, we try to obtain as much information upfront as possible.

### WHAT IS THE DIFFERENCE BETWEEN A PRE-APPROVAL LETTER AND A COMMITMENT?

There is a huge difference - It's like comparing an estimate to a final invoice. A commitment can only be issued by a licensed underwriter and will require significantly more due diligence. An underwriter will scrutinize every document to make sure the loan can be sold. For an actual commitment to be issued an underwriter will require that an appraisal and contract be included in the file.

### HOW LONG IS A PRE-APPROVAL GOOD FOR?

A pre-approval does not have a set expiration date. As long the facts do not change (income, credit score, assets, employment etc.) the approval should remain valid. On the other hand, if a borrower changes jobs after the approval is issued or takes on new debt, or if interests rise, the approval would need to be updated. Credit reports are typically valid for 120 days.

**An increase in interest rates can make a pre-approval obsolete.**

### WHAT CAN A HOME BUYER DO TO OBTAIN A HIGHER LEVEL OF CONFIDENCE THAT THEIR FINANCING WILL ACTUALLY BE APPROVED?

**Buyers who are actively house hunting should request a full "Credit Approval".**