

## Pre-Qualified vs. Pre-Approved - What's The Difference?

Without thoughtful preparation, many buyers get drawn into the mistaken notion that if a lender “pre-qualifies” them for a mortgage this means that they have been “pre-approved” for a home loan. **Unfortunately, there's a world of difference between these two terms. If you've ever been confused by the two, we'll bring you up to speed on how these terms differ and why a misunderstanding can mean disaster for buyers and sellers alike.**

### Pre-qualifying facts:

- Is the initial step in the mortgage approval process.
- Is generally free, quick and simple.
- Can be done in person, over the phone or on internet.
- Buyer supplies data to lender regarding their debt, income and assets.
- Upon evaluating data, lender gives an opinion of the buyer's loan limits.
- Loan pre-qualification **does not** include an analysis of the buyer's credit report or an in-depth look at the buyer's ability to purchase a home.
- The pre-qualified buyer **doesn't** carry the same weight as a pre-approved buyer.

### Pre-approval facts:

- Getting pre-approved is the 2<sup>nd</sup> step of mortgage qualification and is much more involved.
- Buyer completes an official mortgage application (usually pays an application fee).
- Buyer supplies the lender with written documentation to perform an extensive check on the buyer's financial background and credit score.
- Following analysis, lender can quote a specific mortgage maximum, interest rate and type of loan/s the buyer qualifies for.

### Advantages of being pre-approved:

- Buyer is aware of their maximum loan limits and the type of loan program they qualify for.
- Buyer is aware of down payment requirements.
- Buyer is aware of the lender limits on seller paid concessions.
- Buyer doesn't waste time looking at properties that are beyond their qualifications.
- Enables the buyer to quickly submit an offer when the perfect property is located.
- Offers won't be contingent on buyer obtaining financing, which saves valuable time.
- Seller knows buyer's offer is serious and likely to successfully close on time.
- Prevents the buyer from losing out to another competing buyer who is pre-approved.

### Final Step – Loan Commitment:

- Once a buyer's offer is accepted and fully executed, the buyer will complete their loan application and move towards the final step which is the "loan commitment".
- Home is appraised at this point.
- Appraisal price must come in at or above the property's sale price.
- If the appraisal brings up issues such as; structural problems, accessibility issues, outstanding liens or litigation in progress, the lender may require additional information, remedies and appraisal re-inspection prior to issuing their final commitment.
- Buyer's income and credit profile will be checked once again to ensure nothing has changed since the initial approval.

**Ready to Get Started? Contact Acuity Group for a Qualified Lender Referral!**