

pre-approval vs. prequalification

If you're shopping for a mortgage loan, you've probably read about prequalification and preapproval. These two steps in the homebuying process serve two different purposes. You may be wondering what makes them different.

what's the difference?

Prequalification is a starting point that can help you better understand your financial situation and its impact on your ability to get a loan. It also gives you a preliminary idea of how much of a loan you might qualify for, and what kind.

Prequalification leads to preapproval. A pre-approval gives you an estimate of the amount of money a lender may lend to you for the purchase of a home.

It provides a level of assurance that the lender will lend that amount of money to you subject to certain conditions, such as that you purchase a home within a certain period, your financial situation remains the same, loan terms remain the same, and the property meets loan guidelines.

documents required at pre-approval

When you are ready to apply for a mortgage loan, your lender will conduct a review of your credit and finances. There are generally no fees involved with the pre-approval process, but you will be required to provide certain documents or information in order to receive a pre-approval. These may include the following:

- ID (driver's license, passport and/or state ID)
- Pay stubs (1-2 most recent months)
- W-2s and tax returns (1-3 year of tax returns)
- Bank account statements (2 most recent months)
- Employment history (2 years minimum)
- Rental history information

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