

# Know the Difference Between Prequalification and Preapproval

Many homebuyers are often confused when it comes to the two terms “prequalified” and “preapproved” when they start their search for a new home. Although the terms are often used interchangeably, they are actually very different.

## Mortgage Prequalification

### Definition

- Non-binding estimate from a lender of how much they may possibly lend to you.
- Usually can be done online quickly.
- Usually no fee.

### Purpose

- Gives you an idea of what price range of homes you may be able to afford.
- Provides an opportunity to learn about different mortgage options.

### What is Required?

- Basic information such as income and debt.
- A credit check may also be required.

## Mortgage Preapproval

### Definition

- A document detailing the amount a lender has tentatively agreed to lend you.
- May be completed in 7-10 days but may also be longer.
- Once completed, it is good for 30-90 days, depending on the lender.

### Purpose

- Shows you are serious about buying a home.
- Gives your lender a clearer picture of your finances.
- Allows you to rectify any financial errors or problems that may arise later.
- Many times, an offer will not even be considered unless you have a preapproval letter.

### What is Required?

As part of their financial review, a lender may ask for these documents: \*

- Tax returns.
- Your last two pay stubs.
- W-2s from the past two years.
- Proof of any other income sources (such as bonuses or commissions, child support or rental revenue).
- Account statements, including checking, CDs and retirement savings, from the past two months.
- Documents pertaining to any loans you have.
- Information on any financial gifts you have received that you will be using as a down payment.
- Other financial records your lender may feel pertinent, especially if you are self-employed.

*\*Your lender will also run a credit report as part of this process.*



*Use this Worksheet*

to keep track of your preapproval process and to compare preapproval from different lenders if you contact more than one.

Lender Name and Contact Info \_\_\_\_\_

Date Required Financials Submitted \_\_\_\_\_ Date Any Extra Financials Submitted \_\_\_\_\_

Date Approval Received \_\_\_\_\_ Amount Approved \_\_\_\_\_

Mortgage Details (Type, Terms) \_\_\_\_\_

Conditions \_\_\_\_\_  
\_\_\_\_\_

Lender Name and Contact Info \_\_\_\_\_

Date Required Financials Submitted \_\_\_\_\_ Date Any Extra Financials Submitted \_\_\_\_\_

Date Approval Received \_\_\_\_\_ Amount Approved \_\_\_\_\_

Mortgage Details (Type, Terms) \_\_\_\_\_

Conditions \_\_\_\_\_  
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Lender Name and Contact Info \_\_\_\_\_

Date Required Financials Submitted \_\_\_\_\_ Date Any Extra Financials Submitted \_\_\_\_\_

Date Approval Received \_\_\_\_\_ Amount Approved \_\_\_\_\_

Mortgage Details (Type, Terms) \_\_\_\_\_

Conditions \_\_\_\_\_  
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