



LENDING 101 - PART 3

Getting Pre-Approved

Moving on from pre-qualification, next up is pre-approval. This section of the course will cover what pre-approval entails, and the recommended timing for getting it done.

Pre-approval is stronger than pre-qualification. It tells the seller, the seller's real estate agent and your real estate agent that you are more committed because you've provided all your financial paperwork. It shows you're further along in the process than someone who has only taken 15 or 20 minutes to complete an application.

Speaking the Language

As you progress through the course, make sure you understand these key terms:



- **Pre-Approval:** A stronger step beyond pre-qualification, it authorizes your maximum loan amount or payment
- **Desktop Underwriting:** Inputting your financial information and loan scenario to determine pre-approval result
- **Approve/Eligible or Accept:** A desktop underwriting result that qualifies for pre-approval

You've submitted your documents, what happens next?

Once your loan officer has verified your financial paperwork and updated your loan application, he or she will run your file through "desktop underwriting," where we input your financial information for a specific loan scenario. This is a preliminary step, not the final underwriting. You are considered pre-approved with either of the following results:



APPROVE/ELIGIBLE



ACCEPT

AFTER PRE-APPROVAL

Generally, after you're pre-approved, we will provide a letter of approval to your real estate agent so he or she can submit offers on your behalf. This letter includes:

- Your maximum loan amount
- The maximum payment for which you've been pre-qualified
- All documentation we have verified on your behalf



“It's super important to make sure you are all the way through this process before you start looking at homes. One of the most heartbreaking things is when you've fallen in love with a property and then find out that you do not qualify for the purchase price.”

WHEN SHOULD YOU BEGIN?

You'll want to start this process six months to 12 months before you are ready to pull the trigger on an offer. There are a variety of opinions on that, but the reason I recommend 6-12 months is because it allows you enough time to:



- Budget for down payment funds and closing costs
- Get a good grasp of what a monthly payment would be (and if you feel comfortable making that monthly payment on a regular basis)
- Clear up any credit issues that might come up

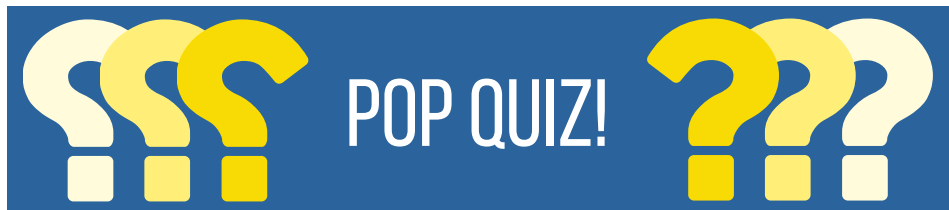
Credit is one of the things that has the biggest impact on your interest rate. It's very important that you review your credit information, so you have enough time to correct any issues. That way you can get the most optimal financing when you are ready.

What We've Learned



Now that you have read through this section of the course, you should understand:

- What pre-approval is and why it's important
- What information is in your pre-approval letter
- When to begin your pre-approval process
- Why it's important to get a head start on clearing up credit issues



You'll want to make sure you take care of the early steps in the process, so you are all set when the time comes to purchase your home. Below are several steps we've covered in the first few sections of this course. Put them in the correct chronological order by writing the number of each step in the blank.

| Steps | Order |
|------------------------------------------------------------------|--------------------------|
| • Loan officer provides pre-approval letter to real estate agent | <input type="checkbox"/> |
| • Approve/Eligible finding is returned | <input type="checkbox"/> |
| • Buyer works to clear up any credit issues | <input type="checkbox"/> |
| • Buyer submits an offer for a house | <input type="checkbox"/> |
| • Loan officer runs desktop underwriting | <input type="checkbox"/> |
| • Buyer provides financial paperwork | <input type="checkbox"/> |
| • Buyer is considered pre-approved | <input type="checkbox"/> |

Answer Key: 5,3,6,7,2,1,4

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