

Good To Know

Dream Home Athens Tips & Guides

Why Pre-Qualify for Your Mortgage Loan?

The simple answer is pre-qualifying shows you how much you can afford to spend on a home based on where you stand financially, considering your income, debt, savings, and other factors. Lenders also consider current interest rates.

Prequalifying can determine:

- An estimate of the home purchase price and monthly mortgage payment you can afford and qualify for.
- How much money you will need for a down payment?
- Saving goals, you need to set and achieve.

Who can help me pre-qualify?

A loan officer or home-purchase education counselor can help you prequalify.

Pre-qualifying is not a commitment on your part to work with a particular lender or real estate agent. It does not guarantee you a loan on the lender's part – that all happens during the actual loan application process. But pre-qualifying can help you narrow your house hunt and avoid potential disappointment.

While it may seem intimidating to prequalify for a mortgage loan, it is a great first step when you are just beginning to shop for a home. You would not bake a cake without making sure you have all the ingredients first, right?

According to the Consumer Financial Protection Bureau (CFPB), a pre-qualification or a preapproval from a lender is a letter that specifies how much the lender is generally willing to lend you. The lender typically arrives at that number after evaluating your assets and debt and checking your credit.

The pre-qualification or pre-approval process varies from lender to lender but should result in a conditional commitment in writing. This letter is not a guaranteed loan offer but having it in hand can give the seller confidence that you will be able to get financing to buy the home.

What are the Benefits?

- **Peace of mind**
There is plenty to stress when your home-shopping. Get your pre-qualification out of the way first. Instead of agonizing over the state of your finances, you will have peace of mind knowing you are already approved. Put that energy toward worrying about how friendly the neighbors seem or deciding whether you can live with the carpet in the bedroom.
- **A competitive advantage**
It is a sellers' market, and that means you may need extra ammunition if you want to place an offer on a decent home in a desirable location. A pre-qualification not only makes your offer credible, but also affords you an advantage should you submit an offer at the same time as another home-shopper. A pre-qualification could be one of the deciding factors in the seller accepting your offer over another.
- **Know what you can afford**
Even if you've crunched the numbers yourself, it pays to meet with your lender, lay out all your finances and determine what you can really afford. This will save you time, energy, and potential disappointment if you find out you are home-shopping at too high of a price point before you make your offer. Keep in mind, you may determine you can afford more than you anticipated. It is fundamentally important to get prequalified to identify potential issues with your credit before you make a serious offer on a home.

- **A confidence boost can mean better negotiation skills**

Being prequalified for a mortgage loan should help you feel more assertive as you are home-shopping, especially if you are a first-time homebuyer. Do you like those light fixtures? Make sure they are in your offer to buy! Why not ask for everything you want — you have been pre-qualified, and that will carry some serious weight with the seller.