

Pre-Approval vs. Pre-Qualification

There is a distinct difference between a letter of pre-qualification and a letter of pre-approval, and it is important that you be aware of this. A pre-approval presents a powerful tool for you toward the purchase of your new home with a minimum of surprises and disappointments. It presents you as a “cash” buyer to the seller and can influence the decision to accept your offer.

Pre-Qualification means there’s been loan calculations made that show how much you “may” be able to borrow. While pre-qualification can reduce the processing time for home loans, indicate how much house you can afford, and provide certain leverage in bargaining power, it doesn’t necessarily guarantee that such a loan will, in fact, be made by the lender.

Pre-Approval means you actually have a loan waiting, subject only to finding the home and the home appraising at the sales price. The “pre-approval” letter represents an actual commitment on the part of the lender. In order to secure such a letter, it is necessary to complete a formal loan application and pay the associated fees. Credit, salary, and bank funds will be checked, and if the loan is a good investment, the lender will issue a pre-approval letter, which provides a commitment for a limited period of time, subject to a satisfactory property appraisal and title search.

We work with a number of lenders in the Birmingham area and can walk you through the process of obtaining a pre-approval letter – call us today to discuss your plans and options.

205-612-9633 or 205-612-8496