



## The Amy Bonis Team

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# Don't Forget Your Pre-Approval Letter

Five reasons why getting a pre-approval letter is a good idea.

Most home buyers know they should get a mortgage pre-approval letter from a lender before they begin seriously shopping for a home. But the reasons for this advice aren't always clear, and buyers sometimes are dismayed by the amount of paperwork involved. Here is some of the reasoning behind the advice:

**1. A pre-approval letter is more reliable than a pre-qualification letter.** Getting a pre-qualification letter is easy. You just call a mortgage broker or lender, provide some basic financial information, and then wait a few minutes for the letter to come through your fax machine. Getting a "pre-qual" from a Web site is just as easy. Enter some information, click "submit" and voilà. A pre-approval letter, on the other hand, involves verification of the information. Rather than taking your word on faith, the lender will ask for documentation to confirm your employment, the source of your down payment and other aspects of your financial circumstances. Granted, a pre-approval is more time-consuming (and possibly more stressful) than a pre-qualification. The additional due diligence is exactly why the pre-approval carries more weight.

**2. You'll know how much money you can qualify to borrow.** Most home buyers have a rough idea of how much they would feel comfortable paying every month on their mortgage. However, there's no quick-and-dirty way to translate that monthly payment into a specific maximum mortgage amount because other factors -- down payment percentage, mortgage insurance, property taxes, adjustable interest rates and so on -- are part of the calculation. And, you might not be qualified to borrow as much as you think you should be able to borrow, depending on your income, your debts and your credit history.

**3. You'll have more leverage in negotiations with the seller.** Sellers often prefer to negotiate with pre-approved buyers because the sellers know such buyers are financially qualified to obtain the financing they need to close the transaction. A pre-approval letter is an especially favorable point in a close multiple offer situation. And, you might feel more confident about making an offer with a pre-approval letter in hand and the knowledge that you'll be able to obtain a mortgage.

**4. Your real estate agent will work harder on your behalf.** A pre-approval letter signals to your real estate agent that you're a well-qualified buyer who is serious about purchasing a home. The increased likelihood of a closed sale -- and a commission -- will naturally motivate your agent to devote more time and energy to you. In fact, some agents won't even show property to buyers who don't have a pre-approval letter.

**5. A few caveats: Pre-approval letters aren't binding on the lender, are subject to an appraisal of the home you want to purchase and are time-sensitive.** If your financial situation changes (e.g., you lose your job, lease a car or run up credit-card bills), interest rates rise or a specified expiration date passes, the lender will review your situation and recalculate your maximum mortgage amount accordingly.