



Island

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INTERNATIONAL REALTY



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TITLE GUARANTY
A Legacy Built on Promises Delivered

Pre-Qualification vs. Pre-Approval

The terms *pre-qualification* and *pre-approval* can often bring confusion to many people who are looking to purchase a home. In a market where homes are selling quickly, it is important to understand the difference between *pre-qualification* and *pre-approval*. When you begin shopping for a home, you will want to know how much you can afford. More importantly, your real estate agent and the home seller will want to know that your loan is in place.



| Pre-Qualification | vs. | Pre-Approval |
|--|-----|---|
| <ul style="list-style-type: none"> Based on a simple calculating process performed by a lender or real estate agent to provide an affordability guideline for buyers Provides an estimate of how much you can borrow Based on information you provide on your income and assets Lender is not bound to make a loan. No approval or commitment. | | <ul style="list-style-type: none"> Formal process which includes a credit check and perhaps even an employment verification. Provides proof of loan approval to real estate agent and sellers Based on verification of your income, assets, and credit Requires satisfactory property review upon purchase and no substantial change in your financial condition to obtain final approval |

Why should you get pre-qualified? Pre-Qualifying is a quick way to determine what price range of homes the real estate agent and buyer should be reviewing. It saves you time and avoids the frustration of finding something you can't afford!

Why should you get pre-qualified when you're refinancing? When you're refinancing, pre-qualifying will allow you some peace of mind that your refinance amount is achievable especially if you're trying to get cash back from your property equity.

Why should you get pre-approved? Pre-Approval is a must in today's environment; most sellers require it up front. It improves the buyers' negotiating position and the length of time it would take to close the deal. There is almost a certainty that the buyer will be able to settle on the house.

Advantages of being pre-approved

- Now that your loan is in place, you can start looking for the right home.
- You will also be taken much more seriously when it comes time to choose an agent or work with sellers on your own. In a tight market, a pre-approval letter from a lender can make all the difference in whether your offer is accepted by a seller over an equal offer by another person.
- Once you find a home, you can move much more quickly. A typical closing will take place a month or even six weeks after an offer is accepted. If you are pre-approved, you can cut this time down by almost half, depending on the time of year and how busy the lender, appraisers, and other service providers are.

To learn more about Pre-Qualification vs. Pre-Approval, visit: *RealtyTimes*, <http://realtytimes.com/rtnews/rtcpages/>

These are guidelines and general descriptions only; the actual processes are substantially more detailed and results may vary on a case-by-case basis.

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