

Getting a Legitimate Lender and Getting Pre-Approved

It used to be that buyers could go house shopping and when they have found their dream home, then they go to get pre-approved. However, in today's market, that has proven to be one of the least effective methods in landing the dream home.

Most lenders can pre-qualify you for a mortgage over the phone. Based on general questions about your income, debt, assets, and credit history, lenders can estimate how much mortgage you qualify for. However, being pre-qualified and pre-approved are different things. Pre-approval means that you have applied for a mortgage; you have filled out the mortgage application, received your credit report, and verified your employment, assets, etc. When you are pre-approved, you know exactly what the maximum loan amount will be.

A pre-qualified letter is not verified and in essence, does not count for much if you are competing with other buyers who are pre-approved. When you are pre-approved, you and the seller know exactly how much house you can afford. It gives you credibility as an interested buyer and lets the seller know immediately that you will qualify for a loan to buy their property.

In addition to being pre-approved, it's important to be pre-approved with a legitimate lender. Legitimate lenders include: banks, mortgage bankers, credit unions, savings and loan associations, mortgage brokers, and online lenders.

Some lenders to avoid: those who lose a form or misplace a file, those who gather information from you in an unorganized manner, those who are not informed about interest rates, points or costs, and those who cannot provide you with the right information.