

Q. What does it mean to be pre-qualified or pre-approved?

A. *Pre-qualified or pre-qualification* is the process of ascertaining what amount of monies the borrower might potentially qualify to borrow based on the borrower's stated income, assets and liabilities. Since the borrower has not actually applied for a loan and none of the borrower's information has been verified, the loan amount is in no way guaranteed.

Pre-approved or pre-approval is a commitment given by a lender confirming that they will finance the borrower's mortgage up to the amount stated in the borrower's commitment letter. The pre-approval is based on verification of the borrower's financial assets (i.e., 401K accounts, stocks & bonds, mutual funds, checking and saving accounts, etc.), credit history, credit score, tax returns for two (2) years, and verification of employment. A pre-approval letter says the borrower(s) are APPROVED! Most commitment letters are valid for 60 days.