5 things you need for a loan pre approval

We’ve talked about the need for a loan pre approval and why its in your best interest to be fully prepared before starting to look at homes.
There are 5 important things you need to be aware of and be prepared for when getting a loan pre approval.
But first, let's talk about the difference between pre-qualified and pre-approved.
A mortgage pre-qualification can be useful as an estimate of how much you can afford to spend on your home, but a pre-approval is much more valuable because this means the lender has actually checked your credit and verified your documentation to approve a specific loan amount (usually for a particular time period such as 90 days). Final loan approval occurs when you have an appraisal done and the loan is applied to a particular property.
So here’s what you’re going to need:

1. Proof of income

"no verification" or "no documentation" loans are a thing of the past, so all borrowers need to be prepared with W-2 statements from the past two years, recent pay stubs that show income as well as year-to-date income, proof of any additional income such as alimony or bonuses and your two most recent years of tax returns.

2. Proof of assets

You will need to present bank statements and investment account statements to prove that you have funds for the down payment and closing costs, as well as cash reserves.
If you receive money from a friend or relative to assist with the down payment, you will need a gift letter to prove that this is not a loan.

3. Good credit

Most lenders today reserve the lowest interest rates for customers with a credit score of 740 or above.

Most lenders require a credit score of 620 or above in order to approve an fha loan. Lenders will often work with borrowers with a low or moderately low credit score and suggest ways they can improve their score.

4. Employment verification

Your lender will not only want to see your pay stubs, but is also likely to call your employer to verify that you are still employed and to check on your salary.

If you have recently changed jobs, a lender may want to contact your previous employer. Lenders today want to make sure they are loaning only to borrowers with a stable employment.

Self-employed borrowers will need to provide significant additional paperwork concerning their business and income.

5. Documentation

Your lender will need to copy your driver's license and will need your social security number and your signature allowing the lender to pull a credit report.

Be prepared at the pre-approval session and later to provide (as quickly as possible) any additional paperwork requested by the lender. The more cooperative you are, the smoother the mortgage process will be.

Once you have gathered all the required documentation, it is time to look and apply for the best mortgage rates in your area.

Please call if you have any questions.

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