



PREQUALIFICATION LETTERS

Frequently Asked Questions

Prequalification letters, although not always required, are a valuable tool in the home buying process. Learn about prequalification letters with our frequently asked questions.



What is a Prequalification Letter?

A prequalification letter is a document an applicant will get from their lender that states they appear to meet the minimum credit and eligibility qualifications for a loan. It is not the same as a pre-approval letter, but it is very similar.



It is important to know that a prequalification letter is not a guaranteed loan offer.



What is a Prequalification Letter?

Both pre-qualified and pre-approved mean that a lender has reviewed your financial situation and determined that you meet at least some of their requirements to be approved for a loan.

The biggest difference between the two is that getting pre-qualified is typically a faster and less detailed process, while a pre-approval is more comprehensive. Getting pre-qualified generally involves a basic review of your creditworthiness, while a pre-approval is a more rigorous process and can sometimes be a better indication that you'll be approved for the loan.



It is important to note however, that neither are guarantees that you will receive a loan from the lender.



Why is a Prequalification an Valuable Tool?

A prequalification letter is a valuable tool, especially in a highly competitive market. If home inventory is low and the number of buyers are high, a prequalification letter will set you apart from the other buyers.



Realtors and sellers may not show you a house unless you have a prequalification letter.



Why Do I Need a Prequalification Letter?

A prequalification letter is needed when time is of the essence. When multiple buyers are interested in the same property, having a prequalification letter means you are ready to make an immediate offer. Not having a prequalification letter can delay your ability to make an offer.



How Do I Get a Prequalification Letter?

To get a prequalification letter, visit your lender and let them know the kind of property you are interested in and your price range. The lender will then ask for certain documentation. Once the documentation is provided, they will review the documentation, your financials and your application. The lender will then provide you with a prequalification letter.



What Documentation is Needed for a Prequalification Letter?

The documentation needed for a prequalification letter may vary from lender to lender. Oftentimes it consists of an application, Driver's License and financial documents (tax returns, paystubs and bank statements).

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