

# Get \$SMART Wausau

## C O A L I T I O N

*"Educating people to make smart money choices."*

### **Q** What does 'Preapproval' mean and how do I go about it?

**A** 'Preapproval' is an important step in purchasing a home. It benefits you, your agent, and the seller by providing a clear sense of direction. You will know what you can afford and your price range. Agents and sellers will take offers and negotiations more serious when they know you have already researched your financing options.

The term 'preapproval' does not have a standard definition and varies among lenders. It is used with terms like 'prequalification' and final loan approval'. It begins when you call a banker or mortgage lender asking "How much can I afford?" On an informal level, the lender will ask for information on your income, debt, and credit and 'prequalify' the maximum mortgage you can afford.

A 'preapproval' generally occurs when a formal loan application is submitted to a lender. Your credit, income, and assets are verified. The lender will review, or underwrite, the information and a mortgage amount and terms are 'preapproved' based on the amount you are qualified to repay. The lender will usually issue a Pre-approval letter to demonstrate to brokers and sellers that you are a serious buyer and have a good idea of what you can afford.

The Pre-approval letter is not a loan commitment. It is subject to the evaluation of the property you choose to purchase, interest rate changes, and potential re-verification of credit information. A 'final loan approval; is given once all pertaining information is gathered, verified, and approved without any further conditions.

Pre-approval can remove much of the anxiety of shopping for a home and speed along the process to final loan approval. By knowing how much financing is available. You can shop for your new home with confidence.

**Visit [www.getsmartwausau.org](http://www.getsmartwausau.org) for information on free or low-cost local programs to help you make smart money choices.**