

# pre-approval vs. prequalification

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If you're shopping for a mortgage loan, you've probably read about prequalification and preapproval. These two steps in the homebuying process serve two different purposes. You may be wondering what makes them different.

## what's the difference?

Prequalification is a starting point that can help you better understand your financial situation and its impact on your ability to get a loan. It also gives you a preliminary idea of how much of a loan you might qualify for, and what kind.

Prequalification leads to preapproval. A pre-approval gives you an estimate of the amount of money a lender may lend to you for the purchase of a home.

It provides a level of assurance that the lender will lend that amount of money to you subject to certain conditions, such as that you purchase a home within a certain period, your financial situation remains the same, loan terms remain the same, and the property meets loan guidelines.

## documents required at pre-approval

When you are ready to apply for a mortgage loan, your lender will conduct a review of your credit and finances. There are generally no fees involved with the pre-approval process, but you will be required to provide certain documents or information in order to receive a pre-approval. These may include the following:

- ID (driver's license, passport and/or state ID)
- Pay stubs (1-2 most recent months)
- W-2s and tax returns (1-3 year of tax returns)
- Bank account statements (2 most recent months)
- Employment history (2 years minimum)
- Rental history information

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