

HOW A PRE-APPROVED MORTGAGE CAN HELP YOU

Whether you're planning the purchase of your first or fourteenth home, it pays to obtain a mortgage prequalification certificate (better known as a pre-approved mortgage) from the lender of your choice. Not only does this step provide peace of mind, it also helps your offer stand out from the pack in a multiple-bid situation.

A REALITY CHECK

Your bank or mortgage lender will examine your current financial situation to determine how much you can afford to borrow, and give you a realistic idea of what your monthly payments would be.

Some people avoid pre-approvals because they feel they know how much house they can afford – or that the money fairy will suddenly appear when they find the property of their dreams. Not having a pre-approved mortgage often leads to unsuccessful bids due to financing falling through, leaving both the buyer and seller in an extremely disappointing situation. In other cases buyers become “house rich and cash poor” because most of their income is spent on housing. It's worth it to take the time, which can be less than an hour or two, to start off on solid financial ground.

With a pre-approved mortgage, you have an amount to have in mind while house hunting. Instead of scrambling to see every open house in the neighborhood, you can focus your search to homes that fit into your predetermined price range. And by comparing similarly priced homes, you'll be better able to gauge the value of each property and find the one that's right for you.

Anyone who has experienced buying during a period of double-digit interest rates already knows the wisdom of obtaining a pre-approved mortgage with a locked-in mortgage interest rate. These are usually guaranteed for 90-120 days and, in the event that mortgage interest rates decrease during that period, will be lowered accordingly. Be sure to check this with your lender.

The main reason to lock in your rate is to protect yourself in case rates go up, so be sure to ask about it. For example, on a \$100,000 25-year mortgage, an increase of 1% to the rate would add approximately \$72 to your monthly payments. That's over \$800 in a year that could have gone towards something a little more fun, like a weekend getaway. Without a pre-approved mortgage, a sudden increase in mortgage interest rates could mean you no longer qualify for your dream home.



IT'S EASY

Whether you decide to use a mortgage consultant, who will negotiate on your behalf to compare rates and terms from several financial institutions, or your preferred bank, the process of getting pre-approved is fairly straightforward. You'll be asked to provide your financial information, including all assets, liabilities and proof of income as well as the amount you have available for a down payment.

After reviewing your financial situation, the lender will determine the maximum mortgage amount you qualify for and lock in a mortgage interest rate. Prequalification certificates normally last for 90-120 days. If you don't buy a home within this timeframe, you may renew your agreement at the going interest rate when your guaranteed rate expires.

A FIRM OFFER

Homebuyers with a pre-approved mortgage have the upper hand when they put an offer on the table. And it's easy to see why. Having pre-approval demonstrates that you're serious about purchasing a home—you've done your homework and have arrived prepared. It also officially addresses your ability to finance the purchase, which leaves no question in a seller's mind that yours is a firm offer.

It's great leverage in negotiation or if you find yourself in a bidding war – and because you know your limit, you won't place a bid that goes beyond what you can afford.

After your offer is accepted, all that's left for you to do is to send in the property and offer details, along with any other information requested, to your lender and your pre-approved mortgage will be converted into your actual mortgage in a matter of hours.

When it comes to buying a home, there's no better way to approach a purchase than with the confidence and convenience a pre-approved mortgage provides.