

Seeking Pre-approval for a Mortgage

A pre-approval is your lender's written commitment to finance your home purchase up to a specific amount pending specific property details. Getting pre-approved before shopping for a home is a smart move for serious homebuyers because it shows sellers that you come to the negotiating table ready to complete the transaction.

Pre-approval vs. Prequalification

A pre-approval indicates that a lender has taken a detailed look into your financial background and has committed to lend you a certain amount of money. Because pre-approval includes a credit check, it's more powerful than a prequalification letter, which generally only estimates a monthly payment within your budget based on information you've provided.

What are the advantages of being pre-approved?

Pre-approval offers a number of advantages over waiting to apply for a mortgage until after you've found a home. It lets you:

- Shop for a home with the confidence of knowing exactly how much home you could qualify for.
- Take advantage of the preference many home sellers have for pre-approved buyers.
- Find out about possible qualification problems early in the home buying process.

Who can benefit the most from pre-approval?

Pre-approval is a great advantage for anyone buying a home, but it can be especially useful for buyers looking for their first home and those who are self-employed or work on commission.

- First-time homebuyers. Without a record of previous mortgage payments, sellers may see first-time homebuyers as less likely to obtain financing than a similar buyer who's already demonstrated the ability to meet a monthly mortgage payment. A pre-approval can help even the field by showing the seller that a lender has already run the numbers and is willing to finance the borrower's home purchase, pending specific property details.
- Self-employed buyers or commissioned employees. Because their incomes may fluctuate more dramatically, self-employed and commissioned buyers often lack the financial documentation of salaried employees, which can send up a red flag to some sellers. Showing that a lender has already considered these factors will help mitigate this risk.

NEA members and their families can learn more about the pre-approval process through the **NEA Home Financing Program**[®]. Call **1-800-632-4968** today and speak with one of our experienced mortgage consultants.

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