

SOUND OFF Rachel Walsh

What is better: pre-approval or pre-qualification?

Many lenders or mortgage brokers will try to get your business by enticing you with a pre-qualification letter for you to give to your Realtor and to the seller of the home you want to buy.

However, knowledgeable agents and sellers know that some pre-qualification letters are not worth the paper they're written on.

Some lenders will issue one based solely on a phone conversation, with the borrowers verbally stating what they earn, owe and plan on spending on a house. News Flash: People lie.

The only person the pre-qualification letter benefits is the

lender or mortgage broker, who hopes to keep you as a client. Then, when it's time for you to get your valid approval, out comes the bait and switch — the rates you were offered, or programs that were available then may not be available now.

A pre-approval letter couldn't be more different. If you are a private banking client with either your bank or financial institution, you may wish to explore that option first.

Many financial firms will offer their clients and/or employees the best rates possible. Some also have strict policies, such as you must keep a minimum balance in your account for the past X num-



ber of years, so get all the facts up front before you start your home search and lending pro-

cess. To get a pre-approval letter, the bank will want to verify assets, debt, employment, income, bonuses and pay structure and will take into full account your credit scores from the three credit reporting agencies.

It means the lender has calculated your buying power and your lending risk.

The best pre-approval letters I've seen are those that are basically a mortgage approval, with the only outstanding condition being that the house you wish to purchase has to appraise for the selling price. It will also take into account

whether you need to sell and close on your current home before buying.

This is a big issue for sellers because you can understand the domino effect that could occur if even one of those dominos fall.

This type of letter takes longer to get — up to two weeks in some cases — and it involves you in the process more by forcing you to provide the necessary documents for a loan in advance of buying, but it is the best way to proceed.

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