

SOUND OFF *Brian A. Clarke Jr.*

What should I know about a loan pre-approval and does it expire?



When it comes time to purchase your first home or a new home, you will want to obtain a pre-approval letter prior to looking at homes.

A pre-approval is obtained from a mortgage broker or your current bank/lending institution. The lender will look into your assets and credit in order to generate a pre-approval letter, essentially conveying the buying power you have

Let's clarify pre-qualification letter versus a pre-approval letter. With a pre-approval, the lender

looks into your assets and credit. With a pre-qualification, the lender is simply taking your word on your assets and credit

I strongly suggest a pre-approval. It makes your offer stronger and will not delay the process, because the lender has already pulled your credit and reviewed your assets.

A pre-approval letter typically does not have an expiration date. With that being said, as long as your circumstances, employment and/or assets do not change, the letter is good throughout the process. Some lenders will write

an expiration timeframe on the letter to assure a buyer's circumstances have not changed. This helps keep everyone updated on their buying power and financial circumstances.

If your circumstances, employment and/or assets do change you will want to notify your mortgage lender immediately. These changes can result in a lower or higher preapproval amount. A new letter will be issued by the lender if you still qualify

The pre-approval letter will be supplied to the seller during the offer process. This shows the

seller you are a serious buyer and can afford the home they are selling. If you are pre-approved for \$500,000 and looking to place a \$450,000 offer on a \$475,000 listed house, I recommend obtaining a letter for \$450,000

As a buyer's agent, you will never want to show your "cards" to the sellers. You will change the letter throughout the negotiations until you have a meeting of the minds.

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