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# *In Mortgages, What's the Difference Between 'Pre-Qualified' and 'Pre-Approved'?*

**Let's Talk Home Financing**

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If you are planning to purchase a house in 2024, you probably know that speaking to a mortgage professional is one of the first steps. The terms "Pre-Qualified" and "Pre-Approved" are used frequently to know how much house you can afford, but what is the difference between the two? I reached out to **Jaxzann Riggs**, president of **The Mortgage Network** to break down the terms and describe what comes next in the mortgage process.

On paper, the terms "Pre-Qualified" and "Pre-Approved" seem to be interchangeable. However, when it comes to purchasing a home, there are several important distinctions. Getting ***pre-qualified*** is generally considered the first step in obtaining a mortgage. The pre-qualification process is more informal, and can be completed even over the phone in a matter of minutes. All information is ***self-reported*** and intended to give the lender a general idea of your assets and liabilities, as well as your income and credit score. ***Based on the details you provide,*** the lender will be able to give you a ballpark estimate of the amount you will qualify for and the dollar amount that you will need for closing costs and down payment.

It is important to keep in mind that this estimate could change depending on how accurate your information is as well as whether interest rates go up or down while you are in the "house hunting" process.

After pre-qualification, the next step is to get ***pre-approved.*** At this point, the lender will need to ***verify the information*** you provided in the prequalification. This typically requires you to provide bank statements, tax returns, paystubs, and government issued ID, and can include additional items depending on your circumstance. Your lender will also pull a credit report after obtaining your permission and social security number. The lender will then run your loan application through an ***Automated Underwriting System*** (AUS), which uses a computerized scoring method to analyze your risk level and to get a ***preliminary approval*** for a specific loan amount. When the AUS determines eligibility, you are ready to shop in that price range.

Once you are under contract for a property, your loan application and supporting documents will be submitted to the underwriting department. The underwriter will comb through the documentation you provide to ensure that your information will meet your loan product's guidelines. Once this process is complete, you will be given a preliminary approval or ***loan commitment***, but the loan process still is not over.

When you identify a property for purchase, the underwriter will also be examining the purchase contract, the appraisal, and the chain of title for the property. Although you may have already spent hours gathering documents, it is important to note that, based on your personal circumstance, an underwriter may ask for additional verification on certain details or updated documentation if several weeks have passed since your "preliminary approval." Once the underwriter has reviewed and approved your information, you'll be considered "cleared to close."

Although this is certainly a reason for celebration, keep in mind that the underwriter will be verifying your employment and credit/liabilities as late as the day of closing. It is crucial not to make any major life changes, such as switching jobs or making large purchases such as furniture or a car, until you have closed on your property.

With the help of an experienced mortgage professional like Jaxzann, you can move from pre-qualification to closing in as little as three weeks. Reach out to Jaxzann on her cell phone at **303-990-2992**.

The Mortgage Network