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EVERYTHING YOU NEED TO KNOW ABOUT MORTGAGE PRE-APPROVALS

Many potential buyers think the first step in the home-buying process is to contact a realtor and start looking at homes. This is not the best way. The first thing you should do is to get your finances in order and apply for a mortgage pre-approval.

The advantages of a Mortgage Pre-Approval:

- It helps you identify any problem areas that may need fixing in terms of mortgage approval.
- It helps you engage in obtaining a reputable real estate agent.
- You will know the maximum amount of home you can afford to purchase.
- It helps you narrow down your house shopping in order to avoid disappointment.
- It will help you determine exactly how much money you need to have ready for the down payment and closing costs.

What Not to Do After you have been Pre-Approved:

- Quit or change jobs. You were pre-approved based on the status of income and employment provided.
- Taking on additional debt after the pre-approval. Many lenders require you have a debt ratio of no higher than 42%. (The debt ratio is a comparison between the amount of money you earn and the amount you spend to cover your monthly debts). Increasing your debts with credit card spending, co-signing loans, leases, loans or mortgages could put your ratios over the allowable limits.
- Making large purchases after the pre-approval. Your lender will review your bank account before the final approval of your mortgage.
- Your credit score drops. You were approved with a score within the allowable limits with the lender but months later, when you're ready to purchase, your credit score has dropped below the lender's allowable limit. So, the best thing you can do after you have been pre-approved is to maintain your present circumstances until the closing date of your purchase. Don't spend the money that was saved for the down payment and closing costs, don't switch jobs, don't increase your debts, continue to put aside as much money as possible and ALWAYS make the offer to purchase subject to the condition of financing.

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