

What to Know About Mortgage Prequalification

Getting prequalified can help you understand your homebuying budget, but it's not a commitment from the lender, or something you can use to start making offers on properties. Here's what to know.

What is a mortgage prequalification?

A mortgage prequalification signifies that a mortgage lender has collected some basic financial information about you, and sometimes completed a credit check, to estimate how much house you can afford.

To prequalify for a mortgage, you'll need to provide the lender with some information about your finances, including your income and any debt you have and basic details about your bank accounts. You'll likely need to let the lender know how much you're hoping to borrow, as well, along with how much you plan to contribute toward a down payment. If you've been through a bankruptcy or foreclosure, expect to be asked about that, too — depending on the type of loan, you might need to wait for some time to pass before being eligible to qualify for a mortgage.

"Prequalification is an early step in obtaining financing," explains Will Reynolds, a real estate agent based in Nashville, Tennessee. "This is not a guarantee of a loan, but simply a first, but very important step, in the process."

Mortgage preapproval vs. prequalification

For a prequalification, lenders generally take you at your word about your financial situation, rather than reviewing documentation as with a preapproval. A prequalification can help you get a sense of what you can afford, but it doesn't guarantee you'll get approved. A preapproval generally carries greater weight and more detail about the loan you'll be approved for — and in today's market, you'll need a preapproval letter in hand before you even consider making an offer on a home.

A prequalification, on the other hand, can help you determine what price range of homes you should be considering. When you really want to buy a home, the preapproval letter provides more concrete proof that you can make the deal happen. From the seller's perspective, they're looking for a preapproval, not a prequalification.

Getting preapproved tends to take more time than getting prequalified, too, because the lender reviews much more documentation. A lender will examine your debt, your tax returns and a range of other indicators that help them assess your ability to repay the loan.

"Unlike prequalification, preapproval is a more specific estimate of what you could borrow from your lender and requires documents such as your W-2s, recent pay stubs, bank statements and tax returns," Reynolds says. "The lender will then use

these documents to determine exactly how much you can be preapproved to borrow."

When should I get prequalified?

While a prequalification isn't a requirement, it can help you nail down a realistic budget as you think about buying a home, so it's helpful to obtain one early in the process. Discussing a prequalification with a lender from the outset can also give you the information you need to improve your credit or finances so that when the time comes, you might qualify for a bigger loan or better terms.

How to prequalify for a mortgage

While every mortgage lender is different, most prospective homebuyers seek a mortgage prequalification online or by phone. Most, if not all, of the information needed will be things you'll know without much research, including how much money you make, where you work and your Social Security number.

Does getting prequalified affect your credit score?

When you're thinking about purchasing a home, it's vital to protect your credit score, so ask the mortgage lender you're working with how they structure their mortgage prequalification process and whether it will include a credit check.

When you're comparing mortgage offers, credit checks are usually counted as one inquiry on your credit report, provided you apply for prequalification (or preapproval, if the prequalification didn't pull your report) within a short time frame, generally 30 to 45 days. So, if you're shopping around for rate quotes from multiple lenders — which you should definitely do — it should have a limited impact on your credit.

Next steps

Once you've been prequalified and are ready to actively look for a home, get preapproved. This will demonstrate to sellers that you have a commitment from a lender to provide you with a loan.

Preapproval is more involved than prequalification and will involve providing a lot of paperwork and documentation to let your lender get a full assessment of your financial situation.

Once you're preapproved, you'll be in a great place to start making offers on homes, submit your final loan application and complete the purchase.

**Ready to get started
on your journey to homeownership?
Visit westerlyccu.com/Mortgage_Calculator
to see how much home you can afford!**



What's New at WCCU!

WCCU Celebrates Promotions

Michelle Johnston has been promoted to Director of Operations. Michelle has been with WCCU since 2019, most recently serving as Operations Manager.



Caitlin Beckwith has been promoted to Financial Services Manager of the Dunn's Corners Branch. Caitlyn has been with WCCU since 2020, most recently serving as the Assistant Financial Services Manager of the Wakefield Branch.



Congratulations on your new positions!

#TeamWCCU in the Community

WCCU Cares: WCCU is proud to support the MS Walk of New London County, CT. Well done #TeamWCCU! A big shout out of appreciation to our Coventry MSR, Meghan Soucier for her work leading the team and raising money for this great cause!

Visit westerlyccu.com/events for a schedule of upcoming events.



Complimentary Virtual Seminars

WCCU members have unlimited access to complimentary seminars covering a variety of topics to increase financial awareness. Below is a schedule of upcoming topics:

Tuesday, May 10: Rollover Planning

Tuesday, May 17: Transitions to Retirement

Tuesday, June 14: Return of Conservative Investing

Register at westerlyccu.com/seminars

Granite St. Parking Lot Update

Please note: Our Granite St. Parking lots are getting repaved **June 13 – June 19**. The branch will remain open, however, only one entrance will be available at a time, and the drive-thru will be closed while the rear parking lot is repaved.

6/6 – 6/13: The Granite St. Branch front entrance will be closed. Please use the Cross St. entrance located behind the Babcock Smith House during this time.

6/13 – 6/19: The Granite Street Branch rear Cross St. entrance, drive-thru and ITM will be closed. Please use the front entrance and ITM located in the foyer.

Thank you for your patience!



It's time for an update!



Holiday's & Dates to Remember

Monday, May 30: Closed for Memorial Day



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