

# Do groundwork before house hunting

KCRAR



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You have probably heard how important it is to have your financial affairs in order before beginning the process of buying a home. But what does that mean? As part of putting your financial house in order, it is prudent to do some preliminary legwork by getting pre-approved for a mortgage before you dive into the house-hunting process this spring.

Some people confuse two similar-sounding terms in this regard. The difference between pre-qualification and pre-approval for a loan is commonly misunderstood. To be in a strong position as a buyer, being pre-approved carries the greater weight. It helps your Realtor know how much you can borrow, which enables him or her to show you houses in your price range.

Pre-approval also makes the next step – actually getting a loan – faster and easier. And in today's marketplace, many sellers want to see a pre-approval letter before responding to an offer to purchase the house. It gives them security when taking an offer and taking their home off the market.

## What does it mean to get pre-approved?

Typically, pre-approval means that your financial situation has been verified by the lender.

When you get pre-approved, you actually complete a mortgage loan application. In some cases you may even have to pay an application fee. After an extensive examination of your financial situation, your lender will commit, in writing, to fund your loan, pending a subsequent successful appraisal of the home and a few other conditions.

Having a pre-approval letter is as close to a sure thing as you can get in the lending world. It

enables you to act quickly when you find the right home and gives you more legitimacy as a buyer.

In addition to the appraisal, you should know about other things that could cause a lender to withdraw from providing a loan after a pre-approval letter is issued. Many lenders will re-check a consumer's credit, employment or income before funding a loan. So if there are changes to your financial situation since the pre-approval letter was issued, they could impact the terms and conditions of the loan.

## Know your credit

If you haven't done so already, secure a copy of your credit report, which displays your history of handling credit, including current and past debt obligations, judgments, liens and credit inquiries. Checking your credit report regularly is the best way to spot possible identity theft or errors that very well could affect your ability to buy a home.

You can order a copy of your report from any of these major credit bureaus: Equifax at [www.equifax.com](http://www.equifax.com), TransUnion at [www.transunion.com](http://www.transunion.com) or Experian at [www.experian.com](http://www.experian.com).

The process of buying or selling a home entails many steps and working with professionals from the outset can help it go smoothly. Working with a Realtor ensures that you will get professional guidance to navigate the home selling, buying and financing processes. In addition, KCRAR has a public service Web site that's full of information about home buying and selling. Visit the site at [www.KCHomePrograms.com](http://www.KCHomePrograms.com) and while you're there, also find out about upcoming home-buyer classes offered by local Realtors in conjunction with the Mortgage Bankers Association. Taking the informational, non-solicitation class is a great way to start doing your groundwork.

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