How to Make Your Offer More Attractive

When you're ready to buy a home, one of the first steps you should take is to seek preapproval—or better yet, prequalification—for a mortgage loan. These documents state how much a lender is willing to let you borrow, and when you're ready to put an offer on a property, they tell the seller you're serious and that you've already taken the first steps toward seeking funding.

Preapproval and prequalification can put you in a stronger buying position, but they are different processes. Here are the steps to take before pursuing either.

Watch your credit report

Don't go into the preapproval and prequalification process without getting a copy of your credit report, which lists your financial history, including total debt and whether you pay bills on time. Checking your credit report regularly is the best way to spot identity theft, credit-report errors or other financial missteps that could affect your ability to buy a home.

You're entitled to one free credit report from each of the three credit-reporting bureaus every year. Find out how to obtain your free reports at annualcreditreport.com.

Prepare for questions

When you're seeking prequalification or preapproval, your loan officer will request information from you, like pay stubs, bank records, your credit history, debts and tax returns. It could take some time to gather these details, so you may want to meet with a loan officer early in your home search. You should also start thinking about your answers to the loan officer's potential questions:

- When are you planning to buy?
- If you're in a lease, when does it end?
- Who will be listed on the loan?

This information will help determine your timeline for borrowing.

What is prequalification?

To prequalify you for a mortgage loan, your loan officer uses the information he or she collects to calculate how much money you may be eligible to borrow. However, all information you submit during prequalification is subject to verification when your loan application is actually submitted. The home loan isn't guaranteed with prequalification because your financial situation hasn't been verified. You may receive a Conditional Qualification Letter, which states that you're eligible and qualified to meet the financial requirements of a loan.

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What is preapproval?

Preapproval typically means that your financial situation has actually been verified by the lender. If you want to get preapproved, you'll complete a mortgage loan application and you may have to pay an application fee. After an extensive examination of your financial situation, a lender will commit in writing to fund your loan, pending a successful appraisal of the property and a few other conditions.

Being preapproved for a mortgage loan doesn't mean you're obligated to borrow the money, but the lender must stand behind its written loan commitment unless something changes with your situation. Think about how attractive your offer will be to a seller when it comes with a letter preapproving you for the funds needed to make the purchase.

Put major purchases on hold

There are some reasons that could cause a lender to withdraw from providing a loan after a preapproval letter is issued. If your credit situation changes between your preapproval and the loan's funding, the lender could change your interest rate or even deny the loan application. So, while you're buying a house, abstain from applying for credit cards or other loans.

Your San Antonio area REALTOR® can give you more information about getting prequalified or preapproved for a mortgage loan.