The Mortgage Centre

Understanding Mortgage Pre-Approval vs. Pre-Qualification

Getting pre-approved can be a vital step to the home-buying process! But don't confuse this with pre-qualification. You can easily get your mortgage pre-qualification online through the Mortgage Centre Canada Home Centre app. This will help you determine what you might qualify for.

Pre-approval, on the other hand, means that a lender has stated (in writing) that you do qualify for a mortgage and what amount, based on your current income and credit history. A pre-approval usually specifies a term, interest rate and mortgage amount and is typically valid for a brief period of time, assuming various conditions are met.

One major difference between getting pre-qualified versus pre-approved is that to be pre-qualified you simply have to submit your estimated financial figures to give you a ballpark of what you might qualify for. During the pre-approval stage, you actually submit and verify your financial history.

The benefit of getting pre-approved versus just pre-qualified, is that pre-approval will help speed up the process when you do find that perfect home, in addition to giving you a much better understanding of the actual home price you can afford.

Overall, pre-approval can help you to determine three very important things:

- The maximum amount you can afford to spend
- The monthly mortgage payment associated with your purchase price range
- The mortgage rate for your term

Not only does getting pre-approved make the search easier for you, but helps your real estate agent find the best home in your price range. Temptation will always be to start looking at the very top of your budget, but it is important to remember that there will be fees, such as mandatory closing costs, which can range from 1 to 4% of the purchase price. Factoring these into your maximum budget can help you narrow down a home that is entirely affordable and ensure future financial stability and security.

In addition, while getting pre-approved doesn't commit you to a single lender, it does guarantee the rate offered to you will be locked in from 90 to 120 days which helps if interest rates rise while you are still shopping. If interest rates actually decrease, you would still be offered the lower rate.

Finally, when it comes time to purchase, having a pre-approval lets the seller know that securing financing should not be an issue. This is extremely important for competitive markets where lots of offers may be coming in.

It is important to keep in mind that even if you do have a pre-approval, you need to ensure to protect it until the purchase is has been completed. To ensure you don't jeopardize your potential mortgage, be sure you don't quit or change jobs, buy a new car or trade up, transfer large sums of money between bank accounts, leave your bills unpaid or open up new credit cards. You do not want your financial or employment details to change at all until you have closed on the new mortgage.

If you're looking to get pre-approved, reach out to me today! Plus, be sure to download **Home Centre App** from Google Play or the iStore and start reviewing your budget.

Rob Falls
Mortgage Agent
905-299-4140
rfalls@mortgagecentre.com
www.robfallsmortgages.com

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www.mccapp.ca