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3 BIG REASONS A MORTGAGE PREQUALIFICATION ISN'T ENOUGH TO BUY A HOME

Homebuyers are often told they need to prequalify for a mortgage. That's good advice, up to a point; a prequalification is only a baby step toward getting a loan. What's better -- by far -- is being not just prequalified, but preapproved.

It's no wonder buyers confuse these two terms -- even lenders use them in different ways to mean different things. The important point is that a preapproval outranks a prequalification.



Why is a preapproval so important?

A preapproval "is a stronger statement from the lender" based on more than a preliminary conversation, explains California Department of Real Estate.

You'll need that stronger statement to move beyond day-dreaming about buying a house to actually finding a home you like, getting the seller to accept your offer and closing the deal.

Here are three big reasons why a prequalification, often called a "prequal," simply isn't enough.

No. 1: Your loan might not be approved

A prequalification is usually based on information about your employment and income that you provide verbally to the lender. It might -- or might not -- also be based on your credit score.

Preapproval is based on an extensive process in which the lender verifies your information and spells out the necessary conditions for you to get your loan, "Preapproval is better because preapproval provides a more accurate assessment of whether the buyer will be able to obtain a loan," Says The National Mortgage Bankers Association.

A lot can go wrong with a prequalification since it's based on so little information. Maybe you have debts that you forgot to mention or your credit score isn't as high as you thought it was. Maybe you're self-employed and your federal income tax return doesn't reflect how much you actually earn. Maybe your income isn't sufficient to handle your debt payments. Or perhaps you're already a co-signer on someone else's loan.

Regardless of the reason, if your information can't be verified, your loan approval could be delayed or derailed.

Stated simply, "**PREQUALIFICATIONS ARE WORTHLESS,**" and a great number of Realtors will not accept it to present an offer.

No. 2: You might shop for the wrong home

Without a preapproval, you might be setting your sights too low or too high, shopping for a home based on a loan amount that's much more or much less than you actually can borrow.

Either way, that's certain to lead to disappointment, especially if you're shopping in a hot market and sellers are getting multiple offers.

"As much as you think getting a mortgage is an inconvenience, losing out on the house is an even bigger inconvenience. That's the purest example of when it backfires in your face.

What's more, Realtors typically won't spend much time with people who aren't serious about buying a home. One sign of being serious is being preapproved. Most Realtors will insist that at a minimum you talk to a lender before they show you for-sale homes.

Some Realtors take this requirement step further, advising buyers to get what's known as an "underwriter preapproval" or "preapproval with underwriting approval," says The National Association of Realtors.

Confusing terms aside, underwriting preapproval means your preapproval has been taken further through the underwriting process.

"Realtors want buyers to get preapproved with underwriting approval prior to making an offer to make their offers even stronger to compete in this market".

No. 3: Sellers might not accept your offer

Sellers are often quite well-informed about buyer financing. Submit an offer with only a prequalification and the seller, too, might insist on a preapproval

Or the seller might just reject an offer that doesn't have a preapproval and make counter-offers only to those buyers who are ready to move forward.

A strong preapproval is especially important if other buyer's present all-cash offers. "It's as close to 'same as cash' as you get".

The bottom line is that smart buyer's line up the strongest preapproval they can before they make an offer to purchase a home.

Conclusion: With a PREAPPROVAL you are able to negotiate a better price, close escrow faster and compete against an all cash offer.

For a fast LOAN APPROVAL follow the following steps:

Call Oaktree Funding at 800-429-5000

Or

Go to www.oaktreefunding.com

Click on the Apply Now link

Pick the Loan Officer who contacted you

Create your login and password

Simply complete the simple application in the privacy of your own home.

When done click on the submit button and this will start the loan approval process.

Documents to upload to our secure site:

1. 2 years of W-2's
2. 2 years of tax returns
3. Paystubs for last 30 days
4. 2 months of Checking, savings statements
5. 2 months any investment accounts

