


How To Get Preapproved for a Mortgage Steps

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Getting preapproved for a mortgage helps you stand out from the competition, shows you're serious about buying and boosts your chances of getting approved.

Are you considering buying a home but don't know how much of a mortgage you'll qualify for? Getting a mortgage preapproval often signals what size mortgage you can reasonably expect upon approval. However, as is true of taking on any financial decision, there are a couple of things about how to get preapproved for a mortgage.

What Is Mortgage Preapproval?

Knowing how to get preapproved for a mortgage begins with understanding what preapproval means. Basically, mortgage preapproval determines whether you may qualify for a loan and how much that loan will be. A preapproval shows lenders you're serious about buying.

Once preapproved for a specific loan amount, you can use your preapproval to shop for a home up to that amount. However, during the preapproval process, it's best to avoid taking out additional lines of credit or making large purchases during the homebuying process. This is because your debt-to-income ratio (DTI), which can affect your loan amount — but more on that later.

mortgage preapproval, your lender will pull your credit report and may request financial documents from you during the process. That's not the case when you prequalify for a home loan.

Prequalifying for a mortgage is the first step to getting preapproved. To prequalify, you supply your lender with information about your income and employment. Many lenders will run a soft pull credit report. This type of report provides the basics about your credit but does not impact your credit score. After evaluating the information you provide, your lender is likely to tell you what mortgage you will qualify for.

A mortgage preapproval, on the other hand, takes a step beyond prequalification to include a standard credit check and verification of information you provided. When shopping for a home, a preapproval is preferred by realtors.

How Mortgage Preapproval Benefits You

Like with other types of loans, mortgage preapproval streamlines your home loan application process. It makes getting a home easier and faster. With the initial paperwork and review out of the way, your lender knows what how much you can afford for a home. However, this can change during the final review if your financial situation changes, such as if:

- You change jobs.
- You apply for another line of credit.
- You make a large purchase.
- Your income changes.

Changes like these can affect your debt and income, which are essential when determining whether a specific home is affordable for you (there are other changes that can affect your approval process as well).

How To Get Preapproved for a Mortgage

Buying a home in today's market is sometimes challenging. These eight steps will guide you on your journey and increase the likelihood of a successful mortgage preapproval.

Step 1: Check Your Credit Score

Know your credit score. As with other lines of credit, the better your score, the better your chances of approval. Most lenders use the FICO score — range from 300 to 850. It's important to know what score your lender requires for the mortgage you're applying for.

reflects any outstanding debt and how well you manage debt.

Step 3: Know Your DTI (Debt-to-Income Ratio)

Lenders compare your monthly debt to your monthly income to determine whether your mortgage is affordable. Your DTI — which represents what percentage of your income goes toward your housing and recurring debt

Although your credit report won't specifically tell you your DTI, you can calculate it yourself or your lender can. One option is to use an online DTI calculator. It's best to speak with your lender, though, as some online calculators don't give the full picture.

Step 4: Pay Down Debt

You don't need perfect credit for mortgage preapproval. However, it's a good idea to pay as much debt down as you can before getting a mortgage, especially if you have a lot. In addition, a cleaner credit history and a higher credit score might

There is no one-size-fits-all debt elimination method. Ultimately, deciding which approach makes the most sense for you

Step 5: Save a Down Payment

For most mortgages, you'll need at least a 20% down payment to avoid paying [private mortgage insurance](#) (PMI) or mortgage premium insurance (for FHA home loans). The idea behind both is similar. Lenders use private mortgage insurance to protect themselves against loss. PMI and MPI protect your lender if you default on your mortgage.

This doesn't mean you need to put down 20%, but it's something to be aware of. In any case, you'll want to be ready to put in an offer on a home.

Step 6: Prepare for Closing Costs

It's hard to pinpoint how much your closing costs will be since each state and situation differ. However, your closing costs will typically be between [2% and 5%](#) of your home's purchase price.

Closing costs can include loan origination fees, property taxes, real estate commissions, attorney fees and other fees. The seller may pay some of these fees, but as a buyer you will pay the rest.

seller. It shows the seller and the seller's agent that you're serious about buying the home.

When you provide this good faith deposit, you'll sign a contract outlining the buying conditions and any other terms of the agreement, the seller risks losing the earnest money. Additionally, the amount of the earnest money is a partial payment of the home.

Step 8: Provide Documentation for Mortgage Preapproval

There are many documents your lender will need for a mortgage preapproval, but here are some of the most common:

- Proof of income
- Two months of bank and financial statements
- Government-issued identification
- Personal information
- Property information, including a purchase contract

Your lender will advise you of anything else they need. However, to ensure a smooth mortgage preapproval process, provide all the necessary documentation as soon as possible.

A mortgage preapproval is an important step to buying a home. By taking the time to understand what your lender needs and providing the necessary documentation, you can increase your chances of being approved for a mortgage. [Speak with a loan officer](#)

Home Purchase Calculator

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