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OFFERPREP GUIDE · FIRST-TIME BUYERS

Pre-Qualified vs. Pre-Approved

What each letter means, why the label matters less than what was checked, and how to use one when you make an offer.

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Before you tour homes seriously, you'll hear two words a lot: **pre-qualified** and **pre-approved**. Both describe a letter from a lender saying it's generally willing to lend you up to a certain amount, based on certain assumptions. Here's what that really means for a first-time buyer.

01 The Short Answer

The label matters less than what was checked

The CFPB notes that lenders use these terms differently. Some call a letter based on information you report "pre-qualification" and save "pre-approval" for one based on verified information. Others use the words the other way around, or interchangeably. **Neither is a guaranteed loan offer.**

	Often called "pre-qualification"	Often called "pre-approval"
Based on	What you tell the lender, which may not be verified	Documents the lender has reviewed: income, assets, credit
Credit check	Sometimes	Usually
Effort for you	Lighter	More paperwork up front

Best used for	An early sense of your range	Writing offers sellers take seriously

02 Why It Matters When You Make an Offer

A letter helps a seller feel confident that you can get financing. The more the lender has actually verified, the more weight it usually carries. Your real estate agent or a housing counselor can tell you what sellers in your area expect to see.

03 Questions to Ask the Lender

- ☐ What did you verify: income, assets, credit?
- ☐ Did you pull my credit?
- ☐ How long is this letter good for?
- ☐ What conditions could change the amount?
- ☐ Can you update the letter for a specific offer?
- ☐ What documents will you need next?

04 What to Have Ready

Lenders vary, but for a letter based on verified information, expect to be asked for things like:

- ☐ Photo ID and Social Security number
- ☐ Recent pay stubs and W-2s or tax returns (more if you're self-employed)
- ☐ Recent bank and investment statements, all pages
- ☐ Information on debts and any other income

05 Tips for First-Time Buyers

- **Start earlier than you think.** The CFPB notes that getting pre-approved early can surface credit issues while there's still time to fix them.
- **Check your own credit first.** Reviewing your own report doesn't affect your scores.
- **Shop more than one lender.** The CFPB says mortgage credit checks within a 45-day window count as a single inquiry on your credit report.
- **Keep your finances steady.** Avoid new credit and large unexplained deposits while you shop.

- **A letter is not a final approval.** The loan still depends on the property, the appraisal, and final underwriting.

06 FAQ

Is a pre-approval a guarantee I'll get the loan?

No. It's an estimate based on certain assumptions. Final approval comes later.

If a lender says I don't qualify for a letter, do I get an explanation?

The CFPB says a lender that evaluates your creditworthiness and tells you that you don't qualify must give you an adverse action notice, even before a formal application.

Do I need a letter before I look at homes?

Not to look, but most buyers want one before making offers, and many agents ask for one.

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Based on CFPB guidance: "What's the difference between a prequalification letter and a preapproval letter?", "What happens when a mortgage lender checks my credit?", and "Shopping for a Mortgage." Lender practices vary. This guide is for informational purposes only and is not financial advice. Consult a licensed professional.

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