

The Loan Process

It is not as easy to obtain a loan than it was a few years ago. Lending standards have tightened, so be prepared to produce substantial paperwork to document your income and assets. Here is some information about the process.

To **pre-qualify** you for a loan, a lender calculates a loan amount you can receive based on information *that you provide*. Information includes your income, expenses and debts. If you add the earnings of a spouse or parent as a borrower, your pre-qualifying amount will be higher.

Think of this as a preliminary estimate of the loan you might receive. If the information you provide is incomplete or inaccurate, the loan amount will change.

Your lender will use the information you provide to calculate your qualifying ratios. These ratios and any compensating factors will help determine which loan products and financing are best for your situation.

Different loan types have different guidelines for qualifying ratios. Your lender usually will not recommend a loan product until you complete a loan application. However, once lenders determine qualification ratios, they have a preliminary idea of which loan types to recommend. Many lenders use automated electronic systems to help them pre-qualify borrowers for loans.

In order to **pre-approve** you for a loan, a lender calculates the loan amount you can receive based on information *that a third party provides*. The lender verifies your information via a credit report. The credit reporting agency acts as a neutral third party. Consider this a firm estimate of a certain loan amount. Final approval depends on whether the property also meets requirements for a loan.

Searching for Homes

Your chances of finding the home you want will be better, the more homes you see. Visit as many homes as possible. No one can force you to buy what you do not like and everything about a home, including the price, condition, and features, are negotiable.

Please go to [General List of Documents Needed for a Loan Application](#) to take a look at some of the documents you will need to get started on a loan application.