

THE PRE-QUALIFICATION VS. THE PRE-APPROVAL...

The Pre-Qualification...Your FIRST Step to Financing a Home

Because of the complexities of home financing and the numerous loan programs and lenders now available to the general public, prequalifying must be done by a qualified loan agent (preferably a mortgage broker) in person, over the phone, or via e-mail.

The prequalification process is both objective and subjective. Lenders look at much more than just cash down payment, credit and income questions. They look at the “overall picture”, for what lenders call compensating factors, of the applicant. These compensating factors include income, debt, assets and credit!

Consulting with a qualified loan agent can help you determine which compensating factors should be emphasized to the lender. Below is list of just some of these factors that loan agents use to maximize one’s purchasing or refinancing power.

<p style="text-align: center;"><u>Income</u></p> <p>Employment and Bonus Income Commissions Income Self Employment Investment Interest Income</p>	<p style="text-align: center;"><u>Debt</u></p> <p>Credit Card Debt Auto Loan Debt Student Loan Debt Personal Lines of Credit</p>
<p style="text-align: center;"><u>Assets</u></p> <p>Savings and Checking Stocks, Mutuals, Bonds 401k, Pension and Stock Options IRA’s, Profit Sharing</p>	<p style="text-align: center;"><u>Credit</u></p> <p>New Accounts Closed Accounts Derogatory Accounts Inquiries and Liens</p>

The Pre-Approval...Solidifies Your Home Buying Position

Once an applicant is prequalified, the next step is getting pre-approved. This involves the lender verifying the above information that includes income, debt, assets and credit by verifying the following:

- 30 days worth of pay-stubs
- W-2’s and 1040’s (1040’s required for all self employed borrowers) for the last 2 years
- Bank statements on all assets for the last 3 months
- Verification of credit by credit report

By getting pre-approved for the purchase of a property, the buyer strengthens their buying position greatly. They now have a “**walking credit card**” to purchase a home! **Buyers should not start their home search without starting this process first.** Once the borrower meets with the loan agent, the pre-approval process, from start to finish, should not take more than 1 week to accomplish. The pre-approval is usually valid for 3 to 4 months (and sometimes longer) as long as the applicant’s income, debt, assets and credit have not changed

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American Family Funding -

May 29, 2006

(Pre-Qualification Example)

Ref: Prequalification for John and Jane Doe

To whom it may concern,

Based on the information provided to me, the above referenced client qualifies for the following:

Max Purchase Price	Down Payment	Loan Program	PITI Payment	Type of Property
\$500,000	20%	Fixed or Hybrid	\$3107/month	Home

Notes: The PITI payment above is based on principle, interest, taxes and insurance based on a monthly basis. Usually you only pay principle and interest on a monthly basis. The above programs do not have MI.

Tax Benefits

As you may know, once you purchase a home, you are entitled to the tax benefits associated with home ownership. Below you will find the purchase prices as stated above, that provide the approximate tax write off, net tax benefit and net effective PITI payment associated with owning versus renting.

Purchase Price	Tax Write Off	Net Tax Benefit	Net Effective PITI Payment
\$500,000	\$2686/month	\$886/month	\$2220/month

Notes: The following information can vary based on the actual rate, payment and household income of the borrower(s). For a more complete analysis of this benefit, please contact your CPA, tax planner or accountant.

Congratulations, you are **now** pre-qualified. The next step is the pre-approval process. To start this process, we will need to meet in person and I will need you to bring the following with you:

1. Copies of paystubs for the last 30 days.
2. Copies of w-2 for the last 2 years.
3. Copies of bank statements for the last 3 months, for checking, savings, stock and 401k.

Once you have put this list of items together, please contact me to schedule an appointment. Thank you for your time and interest.

Sincerely,

Rob McCarthy

Senior Mortgage Planner

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May 29, 2006

(Pre-Approval Example)

John and Jane Doe
125 Oak Street
Sunnyvale, CA 94086

Ref: **Pre-Approval for Home Financing**

Dear John and Jane,

This letter is to inform you have been pre-approved for the purchase price of \$500,000.00 based on 20% down. Your credit, income, debt and assets have been reviewed and are satisfactory to the lender.

This pre-approval is subject to the following conditions:

1. Preliminary title report
2. Appraisal of property per agreed contract price
3. Review of purchase contract by lender

Should you have any questions, please feel free to call me. Thank you for your time.

Sincerely,

Rob McCarthy
Mortgage Planner