



4 Reasons To Get Preapproved

While it may seem intimidating to prequalify for a mortgage loan, it's a great first step when you're just beginning to shop for a home. You wouldn't bake a cake without making sure you have all the ingredients first, right? (Unless you're me, literally every time I try to bake anything. Luckily I have really nice neighbors with well-stocked pantries.)

According to the [Consumer Financial Protection Bureau](#) (CFPB), a prequalification (sometimes called a "preapproval") from a lender is a letter that specifies how much the lender is generally willing to lend you. The lender typically arrives at that number after evaluating your assets and debt and checking your credit.

The prequalification or preapproval process varies from lender to lender, but should result in a conditional commitment in writing. This letter isn't a guaranteed loan offer, but having it in hand can give the seller confidence that you'll be able to get financing to buy the home. And if that isn't enough incentive for you, here are 4 more reasons why you should get prequalified early in the home-shopping process.

1. Peace of mind

There's plenty to stress about when you're home-shopping, so get your prequalification out of the way first. Instead of agonizing over the state of your finances, you'll have peace of mind knowing you're already approved. Put that energy toward worrying about how friendly the neighbors seem, or deciding whether or not you can live with that red shag carpet in the basement.

2. A competitive advantage

It's a seller's market, and that means you may need extra ammunition if you want to place an offer on a decent home in a desirable location. A prequalification not only makes your offer credible, but also affords you an advantage should you submit an offer at the same time as another home-shopper. A prequalification could be one of the deciding factors in the seller accepting your offer over another.

3. Know what you can afford

Even if you've crunched the numbers yourself, it pays to meet with your lender, lay out all your finances and determine what you can really afford. This will save you time, energy and potential disappointment if you find out you're home-shopping at too high of a price point before you make your offer (or conversely, perhaps you can afford more than you realize). And getting prequalified can be a good way to spot potential issues with your credit before you make a serious offer on a home.

4. A confidence boost can mean better negotiation skills

Now don't get too cocky, but being prequalified for a mortgage loan should help you feel more assertive as you're home-shopping, especially if you're a first-time homebuyer. No imposter syndrome here. Do you like those light fixtures? Make sure they're in your offer to buy! Why not ask for everything you want — you've been prequalified, and that'll carry some serious weight with the sellers.