

# the Mortgage Bulletin

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Paul Newman  
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**"People are always blaming their circumstances for what they are. I don't believe in circumstances. The people who get on in this world are the people who get up and look for the circumstances they want, and if they can't find them, make them."**  
- George Bernard Shaw

## Mortgage pre-approval

No matter what the housing market is like, be it a buyer's market, a seller's market, or a balanced market, it is ALWAYS a good idea to get pre-approved for a mortgage before actively looking for a home.

The Mortgage Bulletin has long advocated mortgage pre-approvals for a variety of reasons.

Pre-approved buyers are more attractive to sellers and listing agents than those who are not, thus pre-approved buyers have a competitive advantage when making offers. This advantage is always important, and is critical in multiple offer situations.

Truth be known, pre-approved buyers are also more attractive to selling agents. Not only do they know what pre-approved buyers can afford, they also know they more likely to be serious. Realtors can do a better job for pre-approved buyers, and that's a good thing for all concerned.

Besides the value of pre-approved buyers to sellers and to Realtors on both sides of a purchase transaction, buyers benefit from getting pre-approved in several additional and important ways. And the sooner the pre-approval is obtained, the better.

First, buyers know what price they can afford. They also know what they can't afford. That basic knowledge removes uncertainty and lets them relax during the search for a home, making the offer, and any ensuing negotiations.

Second, (early) pre-approval allows time to deal with unexpected issues uncovered by the pre-approval process. For example, erroneous derogatory items on credit reports can take time to correct. Credit scores matter and frequently a simple "fix" can increase a credit score enough to get a lower rate, a higher loan amount, or a more advantageous loan product.

And third, early pre-approval gives buyers time to evaluate loan product options and different loan structures.

Buyers who are not pre-approved CAN make successful offers and close on transactions. But such transactions can be stressful simply because there is limited time for buyers to evaluate and reflect on all aspects of the financing.

We all know that buying a home is typically the largest financial transaction in the lives of most buyers, not one to be entered into lightly or too quickly.

So let's take the pre-approval process one step further. It is not absolutely necessary for buyers to consult with a CPA, financial advisor, or financial planner, BUT it is an excellent idea to do so, AND to do so BEFORE finalizing the financing structure and loan product.

Taking time for this consultation, to decide on the details of how to hold title, how much down payment to make, and what type loan product best serves the buyer's short and long term financial and personal goals is extremely important.

Conversation and coordination between the loan consultant, buyer, and financial planner during the pre-approval process can be invaluable. Ideally, at least one conference call with all of these parties on the line is highly recommended.

Buyers who take the time and effort to get pre-approved well in advance and who consult with a competent financial advisor will be more relaxed and confident than those who don't. It's that simple.

Purchasing a home is serious stuff, but getting fully prepared in this manner, resolving all mortgage related details in advance can make the home buying process enjoyable and fun.



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