

# Deciding How Much House You Can Afford

Before you start house hunting, you need to determine how much house you can afford, which will entail getting preapproved for a home loan. A real estate agent can help you find a mortgage broker to begin the process. While getting preapproved is a more in-depth process, a preapproval letter lets both real estate agents and sellers know that you're a serious shopper who means business.

## What do I do to get preapproved?

Getting preapproved requires that the lender review your finances, confirming pay stubs, tax records, credit accounts, bank statements and sometimes more. The preapproval amount will not only be a reliable estimate of what you can afford, but your preapproval also indicates that a lender is willing to do business with you, pending the purchase price, market appraisal and the underwriting process.

You can also get prequalified for a loan, which means that a lender has taken some information from you, and made a tentative decision without necessarily verifying any of the information. Prequalification provides you with a quick estimate of the amount you can afford, but is not considered as reliable as preapproval.



## What should I ask when shopping for a lender?

Your real estate agent should have a mortgage broker they are willing to put you in contact with – this lender will be someone they have done business with in the past, and feel comfortable recommending. However, if you decide to do a little comparison shopping and look for a lender on your own, here are a few important questions to ask.

1. What loan programs do you offer and which one do you think is best for me?
2. How long will the loan approval process take?
3. What line items of the loan agreement – if any – are negotiable?
4. What is your policy for locking in interest rates, and will you honor a lower rate if it declines during the lock-in period?
5. Are there fees for prepaying on my loan?



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