

Buyer Pre-Qualified/Down Payment

What is the difference between being *Qualified* and being *Approved*?

Pre-qualification is an estimate of how much someone can afford to spend on a home.

Pre-approval is when the lender has checked the potential buyer's credit and verified the documentation to approve a specific loan amount (the approval usually lasts for a period, such as 60 to 90 days).

Most Commonly Requested Documents for Mortgage Pre-Qualification/Pre-Approval

Disclaimer: Documents may vary depending on the mortgage company

- **Social Security Number** – for all borrowers who will be listed on the loan.
- **Proof of Employment** – lender will likely request like of all employers for, at minimum, the last two years.
- **Proof of Income** – lender will typically request recent pay stubs (2 months) that show year-to-date earnings.
- **Tax Documents** – lenders typically want to see your W-2s and tax returns for the past two years.
- **Place of Residence** – addresses or residence for the past 2-5 years.
- **Bank Account** – lender will want to see account statements and balances for any checking, savings, or money market accounts. They want to ensure you have enough funds for closing costs, down payment, and cash reserves (if applicable).
- **Credit Information** – lenders are looking for any other outstanding loans that have recurring payments (car loan, student loan, credit cards, etc).
- **Purchase Agreement** – this will be needed, but you may not have during the “pre” approval process.
- **Gift Letters** – if you are receiving funds from individuals to cover your down payment/closing cost expenses you’ll need to provide a gift letter so that they can verify that it is a gift and the individuals don’t expect any kind of repayment.
- **Monthly Expenses** – lenders may ask for an itemized list of your monthly payments including rent, credit cards, student loans, etc. This helps establish your debt-to-income ratio.
- **Self-employment Documents** (if applicable) – this may include balance sheets, profit-and-loss statements, and/or tax statements (typically for 2 years).

How much is my down-payment?

Average Minimum Down Payments for each Mortgage Loan

Mortgage	Min. Down	FICO	Additional Requirements
Conventional 97	3%	620	
Conventional	5%-20%	620	
Jumbo	5%-20%	720-740	Nonconforming For homes more than \$484,350
FHA (96.5%)	3.5%	580	
FHA (90%)	10%	500	
FHA 203(k)	3.5%	640	Buy plus rehab
VA	0%	620	VA cert. of eligibility
USDA	0%	640	Rural areas only
HomeReady	3%	620	Low income only
Home Possible	3%	660	Low income only

Know your *financial health*

The use of the balance sheet, also called a statement of financial position, is a simple exercise in financial planning which should be conducted by every household.

Common situations involving the use of a balance sheet include:

- a buyer applying for purchase-assist financing with a mortgage lender;
- a buyer seeking seller carryback financing;
- a homeowner looking to refinance;
- a homeowner requesting a short sale or loan modification;
- a homeowner considering a strategic default; and
- a nonresidential landlord screening a tenant. [See first tuesday Form 209-3]

A balance sheet distinguishes the relation between two basic things: assets and liabilities.

- Assets are tangible and intangible things of value held by an individual or family.
 - funds held in retirement accounts;
 - ownership interests in businesses;
 - trust deed notes owned;
 - vehicles, furniture and equipment owned; and
 - any other item of recognized value, such as collectibles. [See first tuesday Form 209-3 §5 through 9]
- Liabilities and net (or negative) worth are financial obligations and debts owed
 - funds held in retirement accounts;
 - ownership interests in businesses;
 - trust deed notes owned;
 - vehicles, furniture and equipment owned; and
 - any other item of recognized value, such as collectibles. [See first tuesday Form 209-3 §5 through 9]

More information on financial health

<https://journal.firsttuesday.us/the-asset-liability-and-net-worth-balance-sheet-interpretation-of-financial-health/31005/>

Use this worksheet to determine your financial health

[Balance Sheet Financial Statement](#)

Disclaimer: Information provided on this worksheet is subject to change without notice.