

# Mortgage Pre-Approval Guide

Welcome to your ultimate guide for mortgage pre-approvals! Find all the essential information you need right here.



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# What Is Mortgage Pre-Approval?

A mortgage pre-approval is a process where a lender evaluates your financial situation and determines the maximum amount of mortgage you qualify for. It provides an estimate of your borrowing capacity and the interest rate you may receive.

Pre-approval is not a guarantee of final mortgage approval, but it gives you a clearer picture of what you can afford when house hunting.



# Benefits Of Mortgage Pre-Approval

## Setting a Clear Budget

Having a clear budget is crucial when preparing for mortgage pre-approval. By knowing the maximum mortgage amount you qualify for and understanding the estimated monthly payments, you can better plan your finances and home search. Another advantage of mortgage pre-approval is the option to lock in an interest rate for a specified period, typically between 60 to 120 days. This rate lock provides stability and protection against potential rate increases during your home search.

## Strengthening and Expediting the Process

Pre-approval strengthens your offer to sellers, demonstrating that you are a serious buyer with secured financing. This can make your offer more attractive and increase your chances of acceptance in competitive markets. Additionally, pre-approval expedites the final mortgage approval process once you find a home, potentially leading to a faster closing. This efficiency benefits both buyers and sellers by streamlining the transaction timeline and reducing uncertainty.



# Benefits Of Mortgage Pre-Approval

## Guidance from a Mortgage Broker

I will guide you through each step of obtaining mortgage pre-approval to streamline your path to homeownership. This will include obtaining your consent to access your credit report. Your credit score and payment history can significantly impact your ability to secure better interest rates and loan terms.



# A Step-by-Step Guide To Pre-Approval

1

## Initial Consultation

The mortgage pre-approval process starts with an initial consultation to assess your financial situation and homeownership goals. We'll review your income, expenses, debts, and credit history to determine your mortgage eligibility and lay the groundwork for pre-approval.

2

## Gathering Financial Documents

After setting your mortgage goals, I'll help you gather essential documents like proof of income, credit reports, bank statements, and debt details. Accurate and complete documents are key for a smooth pre-approval process.

3

## Application Submission

I'll help you complete and submit the mortgage application, detailing your financial situation and desired mortgage type. I'll ensure accuracy and submit it to the lender on your behalf.

4

## Lender Review

The lender will review your application and financial documents to assess your creditworthiness and financial health. I'll keep you informed of the progress and any additional requests from the lender.

5

## Pre-Approval Decision

After the review, the lender will issue a pre-approval decision, detailing the maximum loan amount and mortgage terms. I'll help you understand the pre-approval letter and how it aligns with your home buying goals.

6

## Finalizing the Pre-Approval

We'll review the lender's terms, meet any conditions, and address any additional requirements. Once finalized, you'll receive a formal pre-approval letter to start house hunting confidently. I'll be here to answer questions and guide you through the next steps.

# Factors Considered In Pre-Approval



## DURING PRE-APPROVAL

**Credit Score:** Indicates your creditworthiness and ability to repay the loan.

**Income and Employment:** Stability and sufficiency of your income to cover mortgage payments.

**Debt-to-Income Ratio:** Comparison of your monthly debt payments to your gross monthly income.

**Down Payment:** The amount you can put down upfront; a higher down payment can improve your pre-approval chances.

**Assets and Liabilities:** Your overall financial health and ability to manage mortgage payments.



## POST PRE-APPROVAL

**House Hunting:** Use your pre-approval letter to guide your home search within your budget.

**Final Mortgage Approval:** Once you find a home, submit a formal mortgage application with the lender. The lender will conduct a detailed review of the property and your financial situation before granting final approval.

**Lock-in Rate:** Ensure your interest rate is locked in during the pre-approval period to protect against rate increases.

**Satisfy Conditions:** Meet any conditions outlined in the pre-approval letter (e.g., selling an existing property, providing additional documentation).

# Do's & Dont's

Credit plays a crucial role in obtaining a mortgage as it determines your eligibility and the terms you receive.



## Do's

- **Continue Financial Discipline:** Maintain good financial habits, such as making timely bill payments and avoiding large purchases on credit.
- **Keep Employment Stable:** Maintain your current job and income level to demonstrate stability to lenders.
- **Communicate Changes:** Inform your mortgage broker or lender of any significant financial changes or updates, such as changes in income or employment status.
- **Save for Closing Costs:** Continue saving for closing costs and other expenses associated with purchasing a home.
- **Stay Informed:** Stay updated on mortgage rates and market conditions to make informed decisions when locking in your rate.



## Dont's

- **Don't Make Major Purchases:** Avoid making large purchases on credit, as it could affect your debt-to-income ratio and impact your mortgage approval.
- **Don't Change Jobs:** Changing jobs during the home buying process can complicate your mortgage approval, so it's best to maintain employment stability.
- **Don't Apply for New Credit:** Applying for new credit cards or loans can lower your credit score and affect your mortgage approval.
- **Don't Miss Payments:** Continue making all payments on time to maintain a strong credit profile and demonstrate financial responsibility.
- **Don't Overspend:** Avoid increasing your debt or spending beyond your means, as this can impact your ability to qualify for the mortgage amount you were pre-approved for.

# Helpful Resources

## RESOURCES:

Canada Mortgage and Housing Corporation (CMHC): [CMHC Website](#)

Mortgage Affordability Calculator: [Mortgage Calculator](#)

Financial Consumer Agency of Canada: (FCAC): [FCAC Website](#)

Equifax Canada : [Equifax Canada](#)

TransUnion Canada: [TransUnion Website](#)

Canadian Association of Accredited Mortgage Professionals (CAAMP): [CAAMP Website](#)

Ratehub.ca: [Ratehub.ca Website](#)

Bank of Canada: [Bank of Canada Website](#)

Canada Mortgage Trends: [Canada Mortgage Trends Website](#)

Mortgage Broker News: [Mortgage Broker News Website](#)

Ontario Mortgage Action Centre: [TMGOMAC Website](#)

Real Estate Council of Ontario (RECO): [RECO Website](#)

Canada Guaranty Mortgage Insurance: [Canada Guaranty Website](#)

First National Financial LP: [First National Website](#)

Home Trust Company: [Home Trust Website](#)

Meridian Credit Union: [Meridian Credit Group Website](#)

Desjardins Group: [Desjardins Group Website](#)

National Bank of Canada: [National Bank of Canada](#)

TD Canada Trust: [TD Canada Trust Website](#)

Scotiabank: [Scotiabank Website](#)

# Closing

In conclusion, understanding and following the essential steps to mortgage pre-approval can significantly enhance your home-buying experience. By being well-prepared and informed, you can confidently navigate the pre-approval process and move closer to securing your dream home.

We hope this guide has provided valuable insights and practical tips to help you achieve a smooth and successful mortgage pre-approval. Thank you for reading, and best of luck on your home-buying journey.

