



## Get Pre-approved for a Mortgage

One of the first steps to buying a home is to get preapproved by a mortgage lender. There are many reasons for getting preapproved. It's important that you have an understanding of how much you can comfortably afford to spend on a home, what your monthly payments will be, what interest rate you'll be getting, and how much you'll be paying each month in taxes, etc. It also helps me, as your Broker to know how to structure your offer. I'll need to know what type of loan you'll be getting (VA/FHA/USDA/Conventional etc...). I'll also need to know if you'll be requiring the seller to contribute funds to your closing costs and how much your down payment will be.

[Click here](#) to view a great booklet that demystifies the mortgage process from a lender's prospective. We highly recommend all buyers read before applying for a mortgage. That said we also highly recommend that you work with a local West Sound mortgage lender/broker that is familiar with our area and the requirements.

Having a good mortgage lender is a crucial part of ensuring a smooth transaction. Working with a bad mortgage lender can make the process a living hell for everyone involved and put your purchase in jeopardy of not closing on time or at all. You also might end up regretting the lender you chose for years if you end up paying a higher interest rate than you should have if you had shopped your loan through various lenders. You could also lose out on your dream property because your mortgage lender was disorganized and couldn't get you fully approved during underwriting, etc. That's why it's important to work with the best. We recommend:

### Our Recommended Lenders

**Randy Tutterrow**  
**Fairway Mortgage**  
360.731.3388  
randyt@fairwaymc.com

**Kathy Hite**  
**1<sup>st</sup> Security Bank**  
360.471.7541  
Kathy.hite@fsbwa.com

**Donna Miller**  
**Movement Mortgage**  
360.874.0451  
Donna.Miller@movement.com

### **Paperwork You Need To Gather**

Each lender has slightly different requirements regarding what documentation they need from you for the preapproval process, but in general, expect to provide the following items:

- A completed application. The lender will provide this to you directly
- The two most recent months (or a quarterly statement) of any asset information listed on the application. Generally: checking, savings, 401k, mutual funds, individual stock accounts, IRA's, etc.....
- 30 days of most recent paystubs
- Past two year's worth of W2 (ie. 2017 and 2018 W2)
- Past two year's worth of US Tax Returns (ie. 2016 and 2017 Federal Tax Returns)
- 2016 and 2017 Corporate Tax Returns (if self-employed and you own over 25% of the company)

### **Getting a Pre-Approval Letter**

Generally, once you submit the above items to your lender, you should receive a pre-approval letter within 2-3 business days. The lender may ask for additional documentation. They are not trying to be difficult by asking for additional documentation, rather, after the housing bubble burst, underwriters became much stricter regarding the loan approval process so a lot more documentation is needed today than it was 10 years ago. In addition to receiving a pre-approval letter which shows the amount you can afford to purchase, you should ask your lender to show you what that preapproval amounts to in terms of a monthly mortgage payment plus any PMI, taxes, and insurance. That way you can make sure you are comfortable with what your monthly housing payment will be and reflected in the pre-approval letter. Once you have received your pre-approval letter, forward it to us for your file so we can have it when we are ready to submit an offer. This letter will provide instructions to me on financing terms that should be included in your offer (i.e. type of loan, seller contributions, etc.)

### **Get a Loan Estimate and Understand Your Closing Costs**

In addition, mortgage lenders are required to provide you with a Loan Estimate (LE) within 3 days of receiving your pre-approval. The LE provides an estimate of the closing costs you'll need on top of your down payment and shows exactly what fees the mortgage lender is charging you. Make sure you understand these fees. Generally, we estimate closing costs to be approximately 2.5% of the purchase price of the property. **Here is a chart showing approximate closing costs in our area.** Your mortgage lender can provide you with more detailed estimates based on your exact pre-approval price. Remember, these closing costs are due at closing (except for the appraisal and inspection fees which are due on the day those services occur) and are on top of your down payment. Therefore, if you're buying a \$500,000 property and putting down 20% towards the loan you'll need to have \$112,500 cash available at closing (\$100,000 for your down payment and approximately \$12,500 for the closing costs).

### **Should You Shop Your Loan Around?**

Absolutely. Every lender charges different fees and different interest rates so it's crucial you shop your loan around to at least two lenders, in my opinion. We recommend doing so within 10 days as the lenders will need to pull your credit report in order to give you an accurate preapproval letter. If your credit is pulled by various lenders multiple times it could affect your credit by a few points. If you do this within 10 days between having your credit pulled it generally won't affect your credit at all.