

Applying for a Home Loan

Buying a home is likely one of the largest purchases you will make in your life, and taking out a home loan is a common way to finance the purchase.



Before you start looking for a home, you should compare mortgage offerings from multiple lenders and get pre-approved for a loan to have a clear idea of your price range.

After you've done your homework and selected your lender, you can expect them to be by your side every step of the way, beginning with getting pre-approved for a mortgage. Once you've found a home, you'll work with your lender to complete the mortgage loan process.

What is a pre-approval letter and how do you get one?

The pre-approval letter from your lender tells you the maximum amount you are qualified to borrow. Getting pre-approved is not a loan guarantee; it simply states how much your lender is willing to lend you — pending forthcoming details, such as the value of the home and the specifics of your loan. This pre-approval allows you to look for a home with greater confidence and demonstrates to the seller that you are a serious buyer.

Pre-approval letters have an expiration date, so be sure to ask your lender how long your letter will remain valid.

To get pre-approved, you'll complete your lender's loan application, providing important information about your credit, debt, work history, down payment and residential history. This information helps determine how much you may be qualified to borrow based on the 4 C's:

- Capacity: Your current and future ability to make your payments.
- Capital or cash reserves: The money, savings and investments you have that can be sold quickly for cash.
- Collateral: The home, or type of home, that you would like to purchase.
- Credit: Your history of paying bills and other debts on time.

If you qualify for a loan, you'll receive a pre-approval in writing that outlines the maximum amount you can borrow. Remember, it's a maximum, and not necessarily the amount you should borrow. You'll want to stay within your budget and comfort level.

Understanding the mortgage loan process

After you find your home, your lender will shepherd you through the lending process, from finding the right loan to completing your loan application.

1. Finding the right loan. Selecting the right mortgage may make a big difference in your monthly payments and the overall cost of your loan. Your lender can help you to find the loan type that is best for you.
2. Completing your loan application. You'll work with your lender to determine your eligibility for a mortgage, folding in the terms of your loan, property details, down payment and other factors. If you qualify, you'll then discuss the terms and all the costs associated with the loan.
3. Understanding the mortgage documents. Once you've determined your loan type and terms, you'll work with your lender to complete the loan application process. This will include providing information such as your employment, assets and liabilities, the home and the loan. Most loan applications follow the format of the Uniform Residential Loan Application and take roughly 45 days to complete.

A mortgage is a serious long-term financial commitment and a legally binding contract. In addition to a lender, consider talking to a HUD-certified housing counselor to discuss the best mortgage options to reach your long-term homeownership goals.



See the full step-by-step guide to buying a home at My Home by Freddie Mac®.

My Home
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