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r/FirstTimeHomeBuyer • 3 mo. ago
RegularPlenty4289

Do I have to have the full down payment and closing costs in cash before pre-approval?

Need Advice

Do most lenders require that you have 100% of the down payment and closing costs in cash in your bank account before they'll pre-approve you?

Basically, the lender we spoke with told us they couldn't approve us until we had this in cash. We're pretty close and should have everything saved up in the next 2-3 months. Is this common for lenders to require?

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__moops__ • 3mo ago
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No, not at the preapproval stage. They need to verify the funds exist somewhere (bank accounts, investment accounts, retirement, gift funds, etc.) but it does not need to be cash in the bank during preapproval.

Just understand that you need liquid funds for your earnest money deposit within a few days of an offer being accepted.

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another few months to save then you don't really need one yet. They can only issue a preapproval with what you currently have available and what your current financial circumstances are. If you want an idea of what it would be approved for, you can have a talk with any mortgage lender, and they can give you a rough estimate, but not a formal preapproval. That's fine to start forming a relationship with some lenders and getting an idea of what they will want to see from you, but any formal paperwork is going to take you having resources in place.

2 Reply ...

SoloSeasoned • 3mo ago
Top 1% Commenter

You can get a preapproval without asset verification when the lender basically takes your word for what you have saved (Rocket Mortgage is known for this) but you won't get approved for underwriting unless you have the assets. Since you can't make an offer and go under contract without having this amount saved, just wait until you do before you get preapproved.

And honestly, if you're putting 100% of your savings/liquid assets into the down payment and closing costs, you need to hit the brakes. It is incredibly risky to buy a home with no emergency fund to fall back on. First of all, most homes have being sold (unless it's new construction) have deferred maintenance, so you could be moving in with several thousand dollars in imminent repairs needed. One major unexpected bill, or an unexpected job loss and you'll be facing credit card debt or foreclosure within months. Your savings goal needs to be 3-6 months of expenses for an emergency fund PLUS down payment PLUS closing costs PLUS another $5-$10K for anticipated repairs. Then you'll be in a solid financial position to buy.

2 Reply ...

SuperSuperKyle • 3mo ago

They like to see *some* cash saved up. They're going to look at your income, savings, credit score, rental history, debt, assets, etc. to determine how much they'll lend. Then they'll pre-approve you. And then underwriters will do a more thorough investigation later.

So when you're ready, apply and start looking. You'll have 3-5 months (forget the exact length) that the pre-approval is good for before you have to do it again.

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__moops__ • 3mo ago
Top 1% Commenter

Most lenders aren't looking at rental history at all. Unless it is something serious that reports on your credit, rental history is not important to lenders.

1 Reply ...

Afraid-Department-35 • 3mo ago

Doesn't need to be in your checking account right then and there. They do need to see all assets you have, cash and easily liquid assets like stocks, 401k, where you can pull $$$ out at fairly quickly.

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DisastrousCelery5273 • 3mo ago

We had 10k in a savings and 401k money but that's all we had, and at that point I told them I had about 60k in 401k no proof. I had it but just didn't show statements of it. Took our word for it. We did have to show check stubs for past 3 months.

1 Reply ...

ppmconsultingbyday • 3mo ago

For pre-approval, they usually run your credit and ask for income + asset documentation to support whatever you're putting down as the down payment. If for example your down payment was coming from the equity on the sale of your current home, they pre-approve you with a contingency on the sale of your current home. If it's coming from a "gift" e.g., a family member, they have to provide proof of funds from their bank account.

On that note, I've bought and sold several homes and never applied for a pre-qual without already having the required funds, with the exception of a sale contingency. You might just need to wait until you get there? It is higher risk for them if you still need to save up. There's no guarantee you will be able to make that savings deadline by closing. Or, setup the "gift" option from someone that already has and can prove the funds, then remove that once you've saved enough yourself.

1 Reply ...

OldTurkeyTail • 3mo ago

If promises were gold: https://genius.com/Linda-davis-if-promises-were-gold-lyrics

There are too many ways in which plans can be foiled, and it means a lot to actually have the funds.

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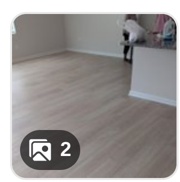

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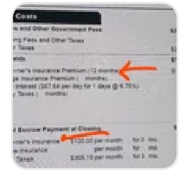

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2 comments

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7 comments

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