**Why Buyers Need To Be Pre-Qualified**

Many buyers have dreamed of owning their own Bed and Breakfast or Hospitality Property. You are buying an Inn business collateralized by the property. Rules for financing are different than those of residential lenders. You are also purchasing an ongoing concern, meaning an operating business. There are confidentiality issues and you will be asked to sign a non-disclosure agreement before you can view the property and obtain any financial information, along with proof of funds, letter of credit or a prequalification letter.

Having an expert navigate the pitfalls and help you evaluate the potential purchase will be invaluable to you in both time and money. These days sellers won’t accept offers without a pre-approval from a lender.

Getting approval on a mortgage is a process with no shortage of moving parts. One area buyers run into problems is failing to understand the difference between being pre-qualified for a mortgage and being pre-approved for one.

In the past few years commercial mortgage lenders have significantly restricted their offerings, and borrowers need to be prepared for the tougher requirements or risk being turned down by lenders.

Just because you are pre-qualified for a mortgage doesn't mean you will get one. But when you are pre-approved your chances for a green light from a lender when you choose a property are greatly increased.

What's the difference between the two and how will it affect you.

In general, a lender who prequalifies a buyer “discusses” a buyer's credit, income and assets with them. A lender who pre-approves a buyer runs their actual credit and “verifies” their income and assets. That's a major difference since agents and sellers view a pre-approval as a more firm start to the buying process.

A mortgage pre-qualification is an initial assessment of a potential buyer, and often it's not worth the paper it's written on. But a pre-approval goes deeper and involves a more thorough look into your income and expenses, including a look at your credit score

Additionally, potential borrowers should be ready to hand over the right information to lenders. If the whole point of getting prequalified is to get a better idea of how much an individual can borrow, it’s important to provide information that can make the process easier.

Your mortgage lender would then provide you with a pre-approval letter that defines the loan amount you are approved to receive. Pre-approvals are normally good for a 120-day period, so it's important to begin your Inn search with your real estate hospitality professional as soon as possible after receiving your pre-approval letter.

Many buyers do not understand why they have to be preapproved before viewing a property or receiving any financial information on the Inn. They often say, “I have no doubt that I am qualified”. Some items can be more time consuming that you realize when the lender asks you to gather bank statements, tax returns, you didn't realize that the IRS takes a bit to validate, you didn't plan for the transfer of down payment funds, maybe there is ID theft on your credit and your fico is not what you thought. The good Inn consultant and realtor will advise you to obtain pre-approval.

It’s not just that you love the property, but will the property be financially good to you. Have an expert Hospitality Professional on your side.

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