Why a Preapproval Can Change Before Final Loan Approval

Understanding the Gap Between Preapproval and Final Approval

Getting a preapproval letter can feel like a big step forward. For many veterans, it signals that a lender has reviewed their finances and is ready to move ahead. But the path from preapproval to final loan approval is not always a straight line. Sometimes the final decision looks different from what the preapproval suggested. This can be confusing, especially when a VA mortgage denial comes as a surprise after an initial thumbs-up.

Preapprovals are based on a snapshot of your financial life at a given moment. A lender checks your credit, income, and assets, then gives a conditional yes. But that yes is provisional, not a guarantee. The loan still has to go through underwriting, where more details are verified and any new information can shift the outcome. Carlos Scarpero, VA Mortgage Specialist, NMLS 1674385 often explains to veterans that a preapproval is a starting point, not the final word.



What a Preapproval Actually Means

A preapproval means the lender has looked at the information you provided and run a preliminary check on your credit. It shows sellers that you are likely able to get financing. But it is not a loan commitment. The lender still needs to verify everything through official documents, order an appraisal, and review your full application package. Many factors can change between the preapproval date and the closing date.

For example, if you apply for new credit, take on a new car loan, or run up a credit card balance after the preapproval, your debt-to-income ratio shifts. The lender may see a higher risk. Similarly, if your employment situation changes or you have gaps in your income documentation, the underwriter may flag the file. Even small changes in your payment history can matter.

Why a VA Mortgage Denial Happens After Preapproval

VA loans come with specific requirements around residual income, property condition, and occupancy. A preapproval does not address all of these. Underwriting digs deeper. For instance, if the appraisal comes in low, the loan-to-value ratio changes, and the lender may not be able to proceed. Or if the underwriter finds unresolved credit disputes, a recent bankruptcy discharge, or a foreclosure that was not fully explained, the file could be denied.

Another common reason is that the borrower made changes to their credit profile after the preapproval. A credit inquiry for a new store card, a late payment on an existing account, or even a dispute that gets reported as a new derogatory credit item can shift the score enough to affect eligibility. The lender may have to issue a denial based on the updated credit report pulled at closing.

What Veterans Should Watch For

The best way to avoid a last-minute denial is to keep your financial situation stable from the moment you get preapproved until the loan funds. Do not open new credit accounts, do not make large purchases on credit, and do not let existing accounts fall behind. Even small things like switching jobs or changing your income structure can trigger a re-review. If you have a bankruptcy discharge or a previous foreclosure in your history, make sure you understand the waiting period requirements for VA loans and have all the documentation ready.

Credit disputes are another area where surprises can pop up. If you have an active dispute on your credit report, the underwriter may need to see proof that the item is resolved or that it does not affect your ability to repay. Waiting until the last minute to sort this out can cause delays or denials.

The Role of Conditional Approval

Sometimes a lender issues a conditional approval after the initial underwriting review. This means the loan can move forward if you meet certain conditions, such as providing additional pay stubs, explaining a gap in employment, or paying off a small collections account. Conditional approval is closer to final approval than a preapproval, but it is still not a done deal. If you fail to satisfy the conditions within the given timeframe, the loan may be denied.

For veterans, this stage is critical. It is the point where any unresolved issues from your credit history or income documentation can be addressed. Carlos Scarpero, VA Mortgage Specialist, NMLS 1674385 recommends that veterans work closely with their lender during underwriting to provide requested documents quickly and accurately. Delays or incomplete responses can lead to a denial even when the underlying numbers are solid.



How to Reduce the Risk of Denial

Start by getting a clear picture of your credit before you apply. Pull your credit reports from all three bureaus and look for errors or outdated negative items. If you see a bankruptcy discharge or foreclosure, know the waiting period and have the discharge papers ready. If you have any credit disputes, resolve them before you apply. A clean, stable credit profile gives underwriters fewer reasons to question your file.

Keep your documentation organized. Pay stubs, bank statements, tax returns, and proof of any VA benefits should be easy to produce. Lenders need to verify your income and assets, and any missing piece can stop the process. If your income comes from self-employment, tips, or commission, be ready to show a consistent history. Gaps or fluctuations can raise flags.

Do not make any large deposits or withdrawals from your bank accounts without talking to your lender first. Underwriters look at where your down payment and closing costs come from. Large undocumented deposits can look like undisclosed loans, which can cause a denial.

What to Do If You Receive a Denial

A VA mortgage denial is not always the end of the road. Sometimes the denial is due to a specific issue that can be fixed. For example, if the denial is because of a low appraisal, you may be able to negotiate a lower price with the seller or bring more cash to the table. If it is due to a credit issue, you might need to wait for a negative item to age off or work on rebuilding your credit before reapplying.

Ask the lender for a clear explanation of why the loan was denied. The denial letter should state the specific reasons. Use that information to create a plan. If the issue is something like a recent credit dispute that was not resolved, you can address it and reapply later. If the issue is more serious, like a bankruptcy that has not met the waiting period, you may need to wait before trying again.

The Bottom Line for Veterans

A preapproval is a useful tool, but it is not a promise. The final approval depends on everything staying consistent from application to closing. Keeping your finances stable, staying in touch with your lender, and addressing any red flags early can make the difference between a smooth closing and a denial. Understanding why a preapproval can change helps you prepare for the process and avoid surprises that could delay your home purchase.