



# HOMEBUYER GUIDE

Helpful information to simplify the mortgage process and help you achieve your personal and financial goals.

A woman with curly hair is smiling and hugging a child. The woman is wearing a blue denim shirt and a silver watch. The child is wearing a plaid shirt. The background is a blurred indoor setting.

# HERE'S WHAT YOU'LL **FIND INSIDE**

## **THE 4 Cs OF HOME BUYING**

A quick reference guide to what lenders look for in home buyers.

## **REQUIRED DOCUMENT LIST**

A list of items to collect for your lender to make the pre-approval process smoother.

## **DOS AND DON'TS**

A list of common mistakes that could impact your approval status.

## **HOME BUYING PROCESS**

An overview of the timeline and process of buying a home.

## THE 4 CS OF

# HOME BUYING

## CREDIT HISTORY

- What is the likelihood that you will repay the loan in a timely manner?
- What is your past payment history with other creditors?
- Is there a reasonable explanation for any challenges in your past?

### RULES OF THUMB

- No late payments in the last 12 months
- Multiple credit lines with at least 24 months of history
- At least one credit line with a limit over \$1,000

## CAPACITY TO PAY

- Can you afford the new payment?
- What is the likelihood of being able to continue to afford this new payment?
- If you were to lose your current income stream, would you reasonably expect to replace that same income?

### RULES OF THUMB

- Two years in the same line of work
- Total home and credit payments of 40-45% of monthly, pre-tax income

## CASH

- Can you handle the payments if your income is stopped for any reason?
- Are you making a down payment? If yes, how much?

### RULES OF THUMB

- Have at least 3.5% of your purchase price to put down (actual down payment needed will vary depending on your loan program).
- Should have 2-3 months of house payments in your checking or savings account after closing.

## COLLATERAL

- What type of real estate are you buying? (Condo, townhome, single-family, duplex, manufactured home, etc.)
- What is the current market value of the real estate and how was this determined?



# THE 4 CS OF HOME BUYING

## CREDIT: THE FIVE FACTORS OF YOUR CREDIT SCORE

### **PAYMENT HISTORY (35%)**

How you've paid your bills in the past. A long history of making payments on time and not missing payments can have the most positive impact on your credit score.

### **OUTSTANDING CREDIT BALANCES (30%)**

The amount you owe relative to the total amount of credit available. People with the best credit scores tend to keep their balances low.

### **LENGTH OF CREDIT HISTORY (15%)**

The age of your open credit lines - the longer your credit history, the better.

### **TYPE OF CREDIT (10%)**

Your current mix of credit cards, retail accounts, finance company loans, and mortgage loans - a diverse mix of credit is best.

### **INQUIRIES (10%)**

How many credit applications you're filling out. Multiple credit report inquiries can lower your score.



# CAPACITY: HOW MUCH CAN YOU AFFORD TO PAY MONTHLY?

**A. TOTAL PRE-TAX MONTHLY HOUSEHOLD INCOME**

Income that can be documented

A. \$ \_\_\_\_\_

**B. TOTAL MONTHLY HOUSEHOLD INCOME x .45**

B. \$ \_\_\_\_\_

**C. TOTAL MONTHLY DEBT PAYMENTS**

Cars, credit cards, student loans, etc.

C. \$ \_\_\_\_\_

**D. CALCULATE B-C=D**

Maximum monthly house payment includes property tax and insurances

D. \$ \_\_\_\_\_

# REQUIRED DOCUMENTATION

## **TO GET PRE-QUALIFIED, YOU MUST PROVIDE THE FOLLOWING INFORMATION TO YOUR LENDER:**

- Copy of your driver's license
- Last 2 years of W2 statements from your employer
- Last 30 days worth of pay stubs
- Last 2 months of checking/savings statements - all pages

## **THE FOLLOWING ITEMS MAY ALSO BE HELPFUL IF APPLICABLE:**

- Last 2 years' individual tax returns - all pages and schedules
- If you are self-employed or commissioned, please include:
  - Last 2 years' individual tax returns - all pages and schedules
  - Last 2 years' corporate tax returns - all pages and schedules
- Last quarter (3 months) of stocks/bonds/mutual funds/401(k) - all pages
- College transcripts (if graduated in the last 2 years)



# TIPS FOR A SMOOTH LOAN APPROVAL

## Do:

- Continue to make your mortgage or rent payments on time
- Stay current on all your existing accounts
- Keep working at your current employer
- Keep your same insurance company
- Continue living at your current residence
- Continue to use your credit as normal

## DON'T:

- Make a major purchase (car, boat, jewelry, etc.)
- Apply for or open a new credit card
- Change jobs without notifying your lender first
- Transfer any balances from one account to another
- Pay off any charge-offs without notifying your lender first
- Buy any furniture on credit
- Close any credit card accounts
- Change bank accounts
- Max out or overcharge your credit card accounts
- Consolidate your debt onto 1 or 2 credit cards
- Take out a new loan or start any home improvement projects
- Open a new cell phone account
- Join a fitness club
- Pay off any loans or credit cards without notifying your lender first

**THESE DOS AND  
DON'TS WILL HELP YOU  
AVOID DELAYS IN THE  
LOAN PROCESS AFTER  
SUBMITTING YOUR  
APPLICATION.**







# HERE'S WHAT YOU CAN EXPECT

## **COMMUNICATION**

We will notify you and your Realtor when we:

- Receive your appraisal
- Submit your loan to underwriting
- Receive your conditions from underwriting
- Obtain a final underwriting approval
- Receive your closing disclosure (CD) from the title company

## **PROVIDING ADDITIONAL DOCUMENTS**

It is very important that you provide all the requested documentation in a timely manner. If you do not, your closing date may be delayed. Within a week from when you sign your loan application, you will need to send us all the requested documentation.

During the underwriting process, you may be asked for additional information referred to as “conditions.” Please be sure to send us any additional information as soon as possible.

## **SOLIDIFYING YOUR HOMEOWNERS INSURANCE**

It is your responsibility to obtain homeowners insurance. Your homeowners insurance must be in place at least 10 days before your closing date. For refinances, we will require a current copy of your homeowners insurance certificate and your insurance agent’s contact information.

# MORTGAGE PROCESS TIMELINE

APPLICATION

PRE-APPROVAL

ACCEPTED OFFER

LOCK-IN RATE

UPDATE CREDIT DOCS, IF NEEDED

ORDER APPRAISAL & TITLE

PURCHASE HOMEOWNERS INSURANCE

CONDITIONAL APPROVAL

SUBMIT UNDERWRITING CONDITIONS

CLEAR TO CLOSE/APPROVAL

CLOSING DAY



# WHAT ARE YOUR **NEXT STEPS?**

If you feel you are ready to begin the process, let us help you determine the best way to move forward. We hope to have answered some of your questions, but we've been around long enough to know that you may have more! That's what we are here for.

**803-978-2101**

**[www.phcu.org](http://www.phcu.org)**

**PO Box 100167  
Columbia, SC 29202-3167**