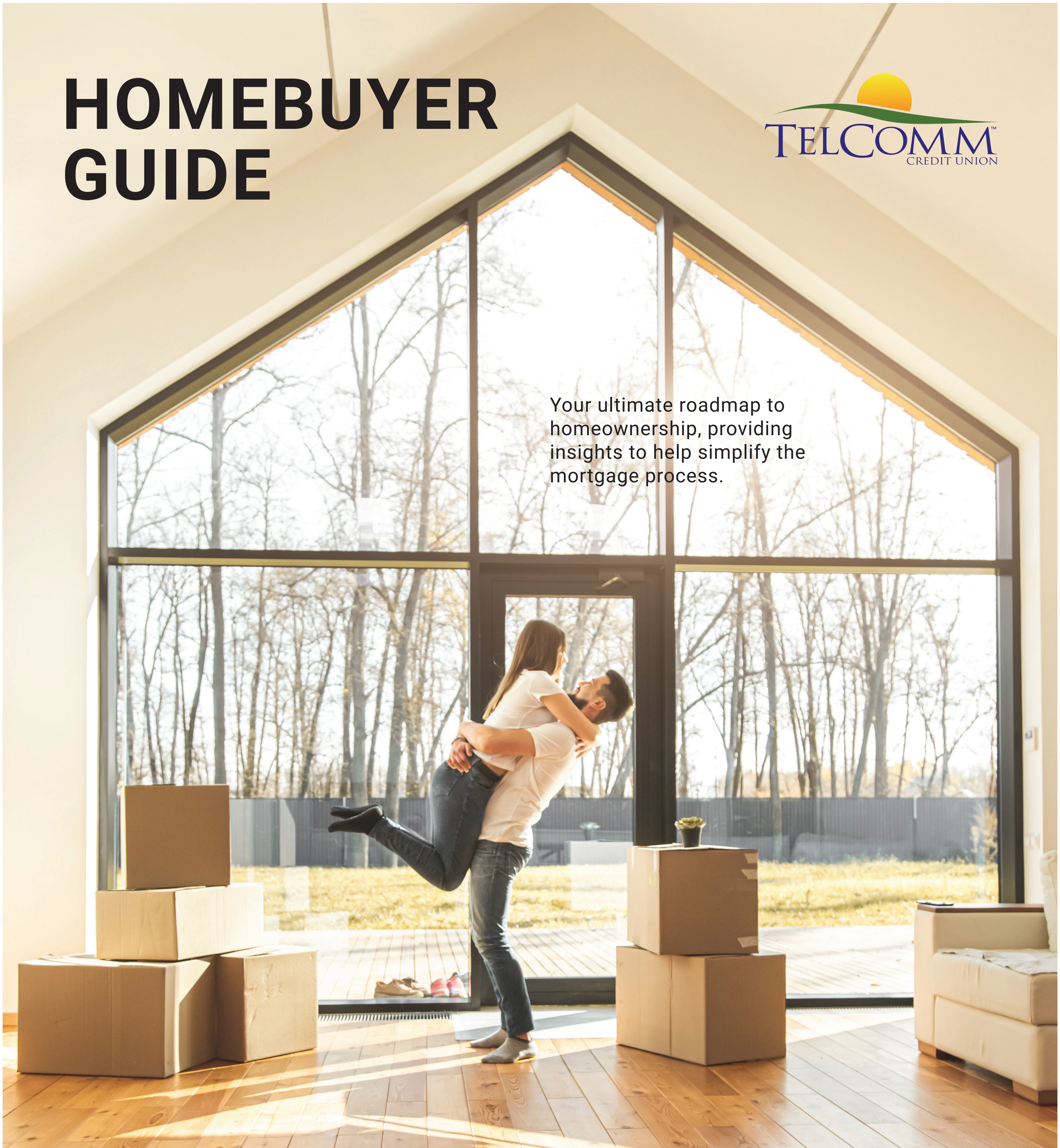
HOMEBUYER GUIDE

TELCOMM CREDIT UNION



Your ultimate roadmap to homeownership, providing insights to help simplify the mortgage process.

TELCOMM CREDIT UNION

As a member owned cooperative, this credit union is dedicated to providing high quality financial services to the members, remaining responsive to member needs and goals, and pursuing the philosophy of "People Helping People" within the constraints of sound business practices

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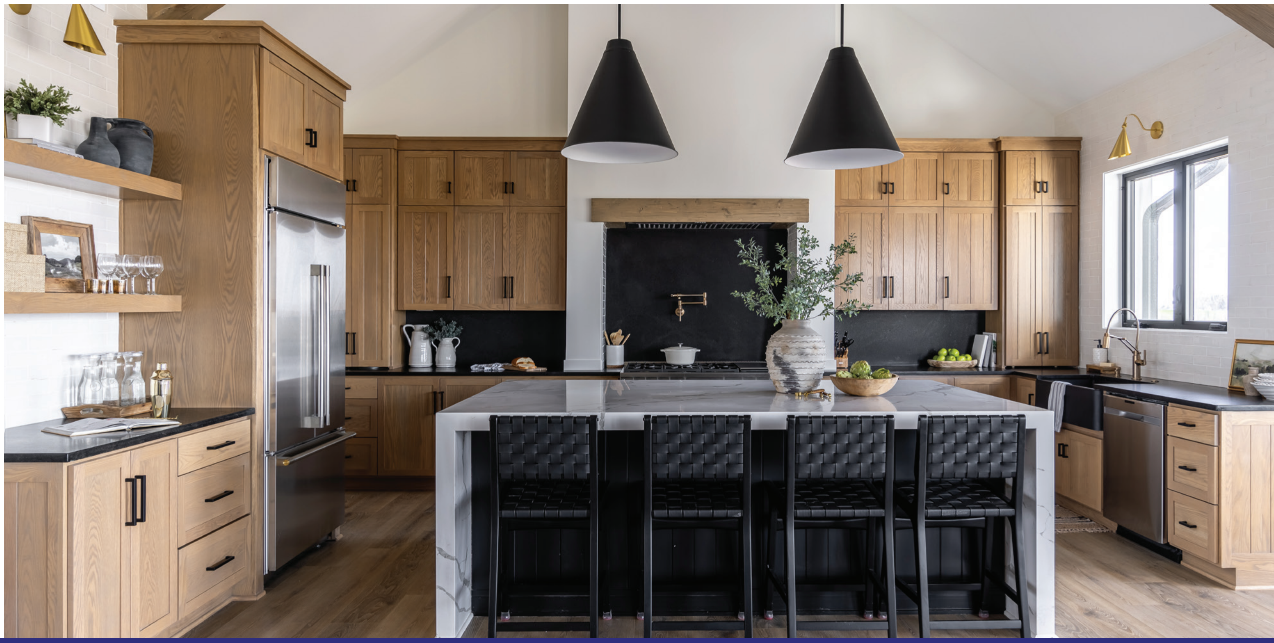
What's Inside



The 4 C's of Home Buying

When applying for a mortgage, lenders evaluate four key factors—commonly known as the 4 Cs of Home Buying. Understanding these can help you prepare for the home-buying process and strengthen your mortgage application.

1. CREDIT HISTORY

Your credit score and credit report play a major role in mortgage approval. Lenders review your credit history to assess how responsibly you have managed debt in the past. A higher credit score can help you qualify for better loan terms and lower interest rates.

WHAT LENDERS LOOK FOR:
- Your credit score (typically 620+ for conventional loans, but FHA loans may allow lower scores)
- Payment history (on-time vs. late payments)
- Credit utilization and outstanding debt
- Length of credit history

Tip: Check your credit report for errors and work on improving your score before applying for a mortgage. *You may get one free credit report from each of the credit bureaus every year. AnnualCreditReport.com**

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2. CAPACITY

Capacity refers to your ability to repay the loan based on your income, employment history, and existing debt. Lenders analyze your debt-to-income ratio (DTI) to ensure you're not overextended financially.

Refer to Page 7 to calculate your capacity.

WHAT LENDERS LOOK FOR:
- Stable income and employment history
- Low payments to income ratio
- Consistent earnings from reliable sources

Tip: Avoid taking on new debt before applying for a mortgage, as it can increase your DTI ratio and impact your approval.

The 4 C's of Homebuying (Cont.)

3. CASH DOWN PAYMENT

This refers to the assets and savings you have available for a down payment, closing costs, and financial reserves. The more money you have saved, the more financially stable you appear to lenders.

WHAT LENDERS LOOK FOR:
- Your down payment amount
- Savings and emergency funds
- Additional assets like investments or retirement accounts

Tip: Saving for a larger down payment (20%+) can lower your loan amount, reduce monthly payments, and eliminate private mortgage insurance (PMI) on conventional loans.

4. COLLATERAL

Collateral is the home itself, which serves as security for the loan. Lenders require an appraisal to determine the property's value and ensure it is worth the amount being financed.

WHAT LENDERS LOOK FOR:
- The home's appraised value (must be within loan to value guidelines)
- Property condition and marketability

Tip: Choosing a home in good condition and within your budget can help ensure a smoother financing process.

UNDERSTANDING CREDIT:
The Five Factors That Impact Your Score

1. PAYMENT HISTORY (50%)

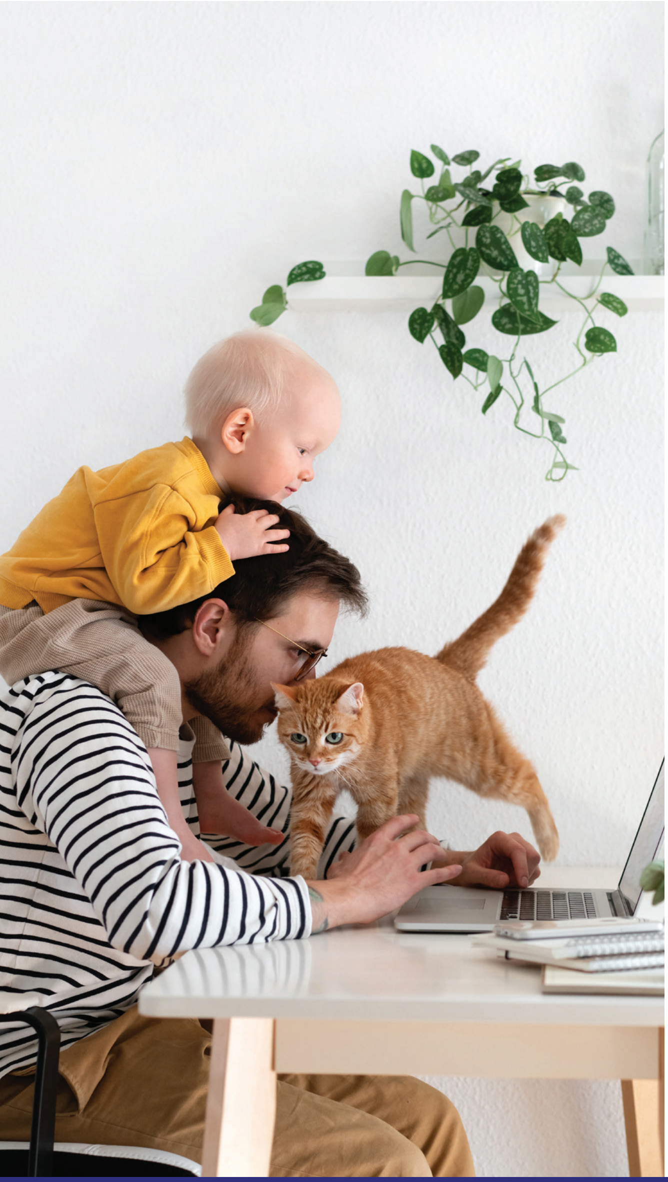
Lenders want to see that you consistently pay your bills on time.

WHAT HELPS?

- Paying all bills on or before the due date
- Setting up automatic payments to avoid late fees

WHAT HURTS?

- Late or missed payments
- Accounts in collections or charge-offs
- Bankruptcy, foreclosure, or repossession



2. CREDIT UTILIZATION (30%)

How much debt do you carry, and how much do you have available?

WHAT HELPS?

- Keeping credit card balances low (ideally using less than 30% of your total credit limit)
- Paying off balances in full each month

WHAT HURTS?

- Maxing out credit cards
- Carrying high balances relative to your credit limit

3. LENGTH OF CREDIT HISTORY (15%)

The longer your credit history, the more information lenders have to assess your borrowing habits.

WHAT HELPS?

- Keeping older credit accounts open to maintain your average account age
- Avoiding unnecessary account closures

WHAT HURTS?

- Opening multiple new accounts too quickly
- Closing long-standing accounts, which can shorten your credit history

UNDERSTANDING CREDIT:

The Five Factors That Impact Your Score

4. CREDIT MIX (10%)

Having a mix of credit accounts (such as credit cards, auto loans, and mortgages) shows lenders that you can handle different types of debt responsibly.

WHAT HELPS?

- Maintaining a good balance of installment loans (e.g., car loan, mortgage) and revolving credit (e.g., credit cards)

WHAT HURTS?

- Having only one type of credit account
- Relying solely on credit cards without other installment loans

5. NEW INQUIRIES (10%)

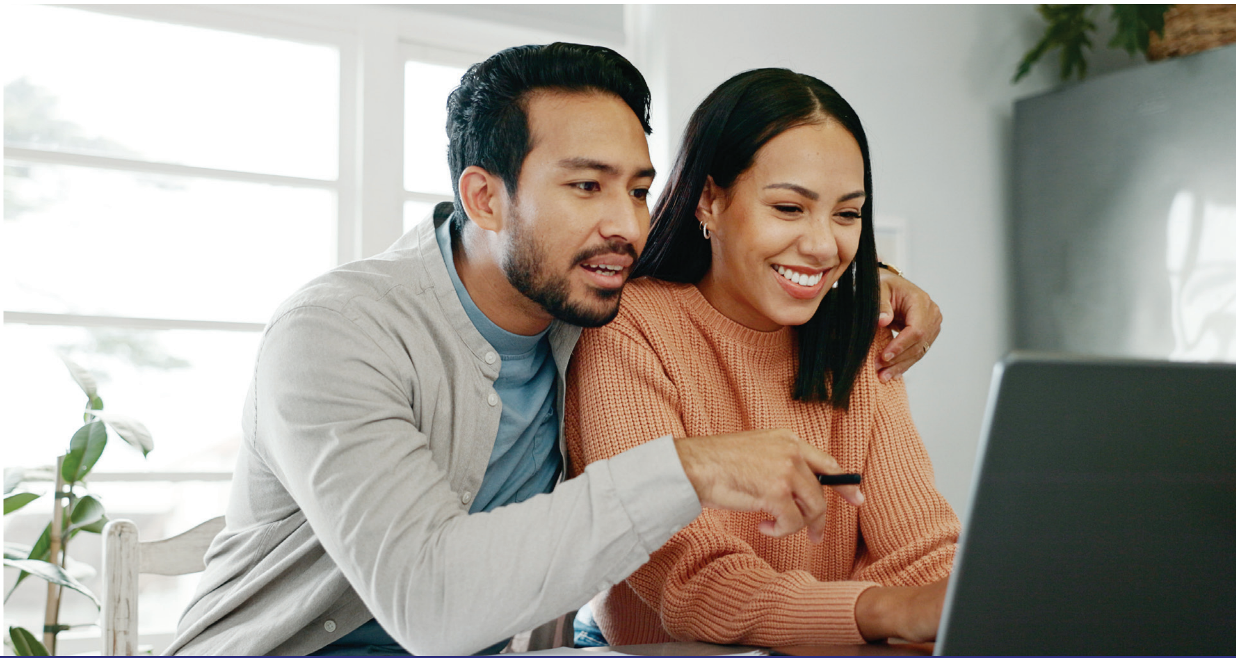
Each time you apply for new credit, a hard inquiry appears on your report, which can temporarily lower your score.

WHAT HELPS?

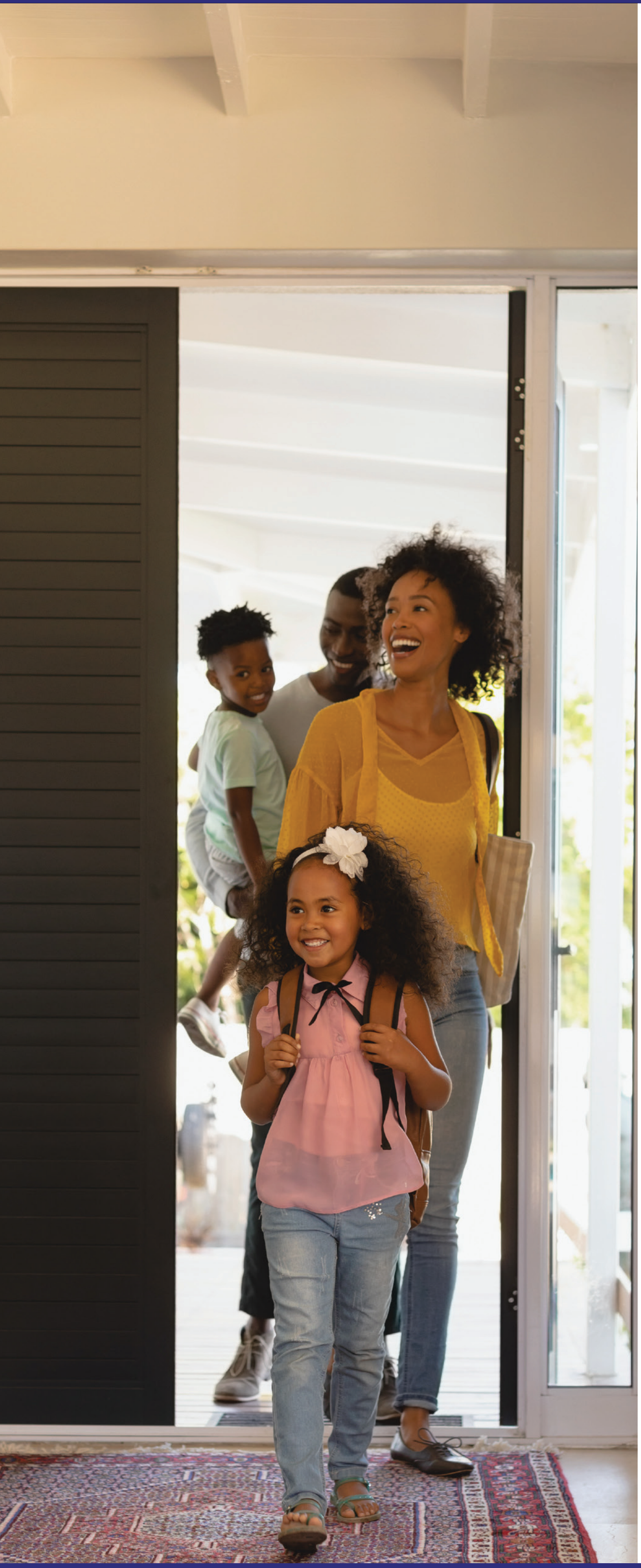
- Only applying for new credit when necessary
- Shopping for a mortgage within a short window (typically 30-45 days) to count as one inquiry

WHAT HURTS?

- Opening several new credit accounts in a short period
- Applying for multiple credit cards or loans unnecessarily



CAPACITY: Calculating Your Affordable Monthly Mortgage Payment



The rule of thumb is that you spend no more than 28% of your gross monthly income on housing costs and no more than 36% on all of your debt combined, including those housing costs.

A. TOTAL MONTHLY HOUSEHOLD INCOME (PRE-TAX):

$ ______________________________

B. TOTAL MONTHLY DEBT PAYMENTS:

$ ______________________________

C. AVAILABLE MORTGAGE BUDGET (A X 28% = C) OR (A X 36% - B = C)

The 28/36 guideline reflects what's known as the front-end and back-end ratios on a mortgage:

- ***Front-end ratio (28%)**: The maximum percentage of gross monthly income you should spend on housing.*
- ***Back-end ratio (36%)**: The maximum percentage of gross monthly income you should spend on all of your debt, including housing. This is also known as your DTI, or debt-to-income ratio.*

$ ______________________________

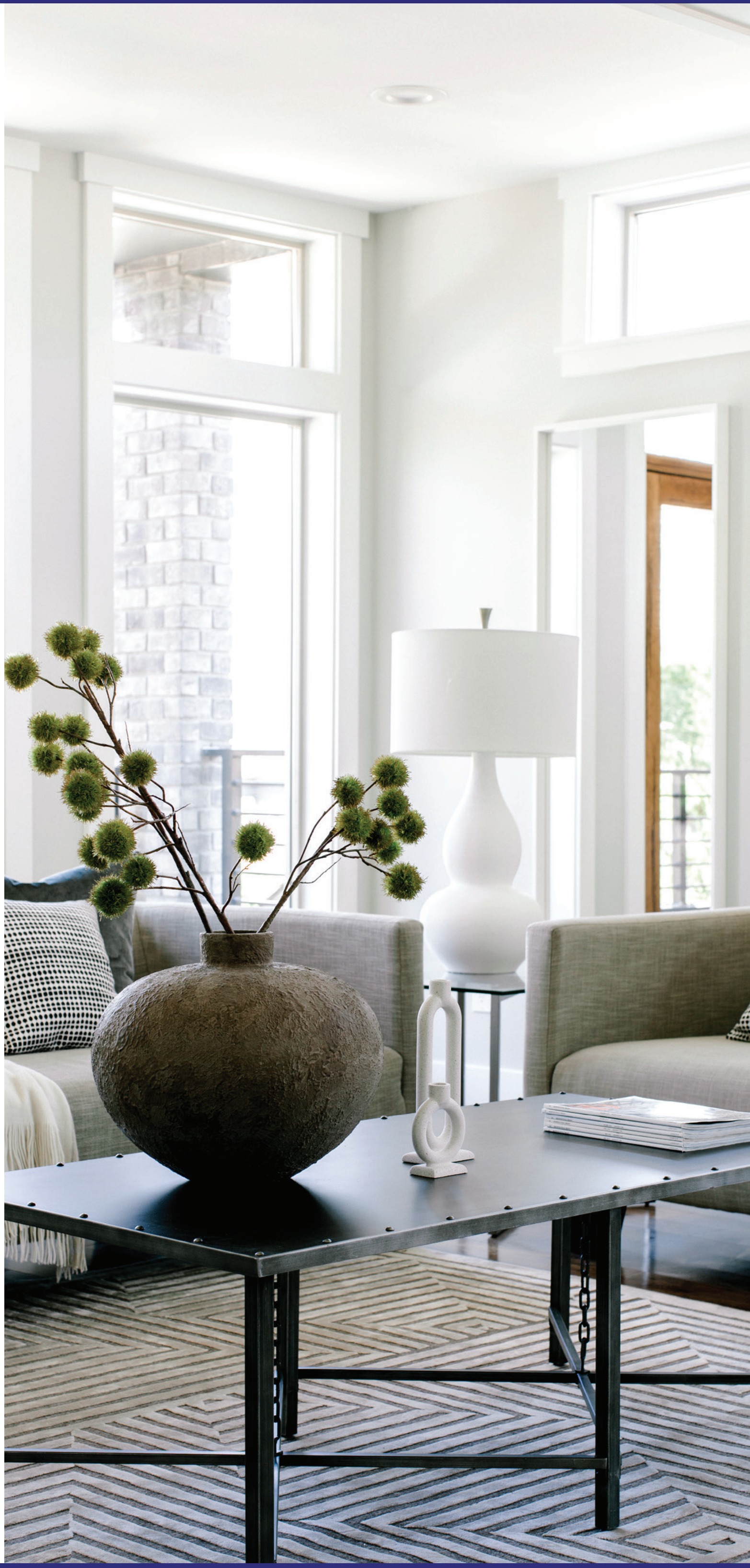
Required Documentation

To begin the pre-qualification process, you'll need to provide the following documents to your lender:

- Valid driver's license (or other government-issued ID)
- W-2 statements from the past two years
- Pay stubs covering the last 30 days
- Bank statements from the last two months (all pages)

Additional Documents (If Applicable):

- Personal tax returns from the past two years (including all pages and schedules)
- If self-employed or commissioned: Last two years' personal and business tax returns (all pages and schedules)
- Last three months of investment account statements (stocks, bonds, mutual funds, 401(k), etc.)
- College transcripts (if you graduated within the last two years)



Keys to Loan Approval

Securing a mortgage is a process that requires financial stability and careful decision-making. To ensure a smooth approval and purchase process, **follow these tips:**

DO:

STAY CURRENT ON ALL PAYMENTS

- Continue paying all bills (credit cards, loans, rent, etc.) on time to maintain a strong credit profile.

KEEP YOUR CREDIT STABLE

- Avoid major changes to your credit history, such as opening or closing accounts.
- Regularly monitor your credit report for accuracy.

SAVE FOR CLOSING COSTS & RESERVES

- Ensure you have enough funds for your down payment, closing costs, and any unexpected expenses.

MAINTAIN CONSISTENT EMPLOYMENT & INCOME

- Lenders prefer stable employment, ideally two years or more in the same field.

RESPOND QUICKLY TO LENDER REQUESTS

- Provide any required documentation as soon as possible to prevent delays in approval.

CONTINUE LIVING WITHIN YOUR MEANS

- Stick to your normal spending habits to demonstrate financial responsibility.

DON'T:

MAKE LARGE PURCHASES

- Avoid financing big-ticket items (cars, furniture, appliances, etc.) before closing, as it can impact your debt-to-income ratio.

OPEN OR CLOSE CREDIT ACCOUNTS

- A new credit inquiry or closing an account can lower your credit score and affect loan eligibility.

CO-SIGN ANY LOANS

- Even if you are not making payments, co-signing a loan increases your financial obligations and can impact your debt ratio.

CHANGE JOBS OR INCOME SOURCES

- Switching jobs or becoming self-employed before closing can cause delays or impact loan approval.

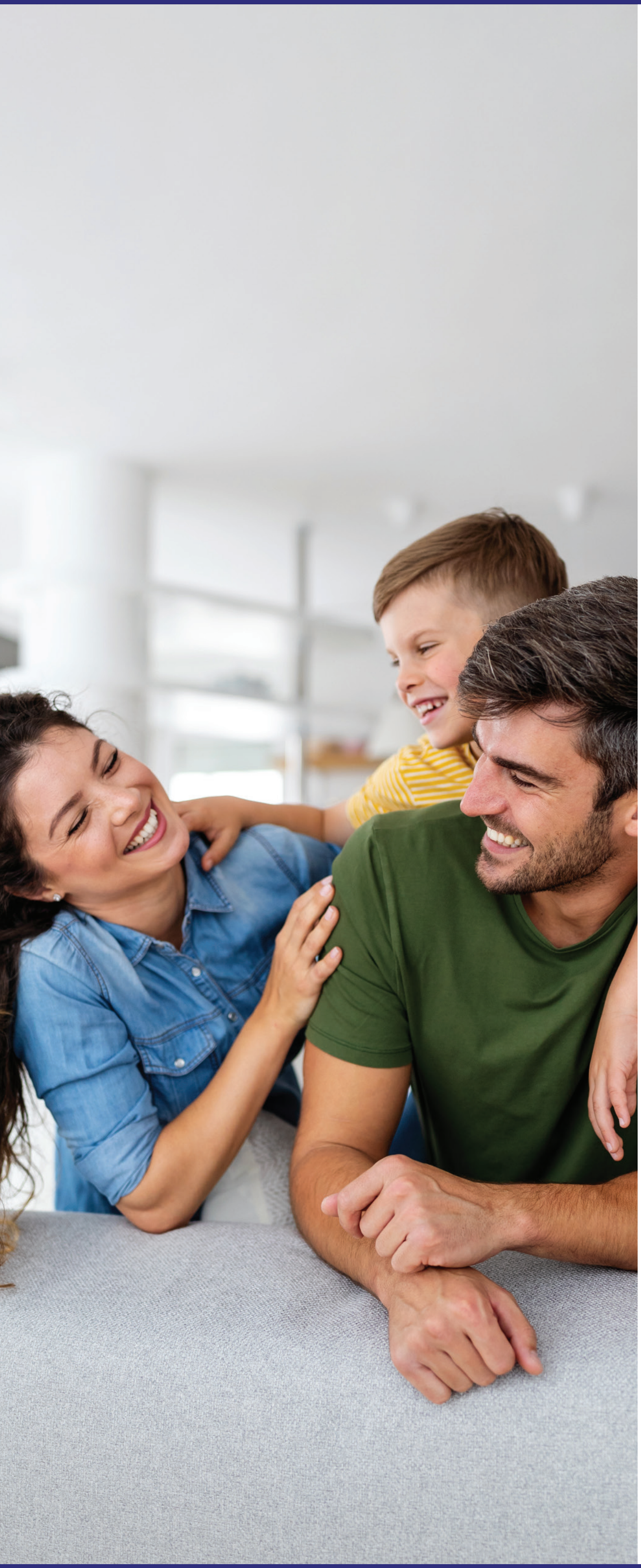
DEPOSIT LARGE SUMS WITHOUT DOCUMENTATION

- Any significant, unexplained deposits into your bank account may raise red flags with lenders. Be prepared to provide documentation if necessary.

IGNORE COMMUNICATION FROM YOUR LENDER

- Delayed responses or missing documents can slow the approval process or even lead to denial.

What to Expect During the Loan Process



Key Steps in the Process:

- Stay informed with regular communication from our team.
- Be prepared to provide additional documents as needed.
- Secure your homeowners insurance well in advance.

Milestones in Your Loan Approval:

We will notify you when we:

- Receive your home appraisal
- Submit your loan for underwriting review
- Receive conditions from underwriting (additional information may be needed)
- Obtain final underwriting approval
- Receive your Closing Disclosure

Important Reminders:

TIMELY DOCUMENTATION SUBMISSION

- To keep your closing on schedule, submit all requested documents as soon as possible.
- Any delays in providing necessary paperwork may result in a postponed closing date.

UNDERWRITING PROCESS & ADDITIONAL CONDITIONS

- During underwriting, you may be asked for additional documentation (known as "conditions").
- Submit any requested information as quickly as possible to avoid delays.

HOMEOWNERS INSURANCE REQUIREMENTS

- You are responsible for securing homeowners insurance at least 10 days before closing.
- For refinances, provide a current insurance certificate and your insurance agent’s contact details.

Mortgage Progress Timeline

Step 1: Pre-Approval (1–3 Days)

- Submit initial application and any required documentation
- Receive a pre-approval letter

Step 2: House Hunting & Offer Accepted (Varies)

- Find a home and make an offer
- Sign a purchase agreement

Step 3: Loan Application Finalization (1–3 Days)

- Finalize your application with your accepted home purchase contract
- Provide required documentation

Step 4: Home Appraisal & Underwriting (2–3 Weeks)

- Appraisal ordered and completed
- Loan reviewed by underwriting
- Additional documents (conditions) may be requested

Step 5: Final Loan Approval (3–5 Days)

- Underwriting clears all conditions
- Loan is approved for closing

Step 6: Closing Disclosure Issued (At Least 3 Days Before Closing)

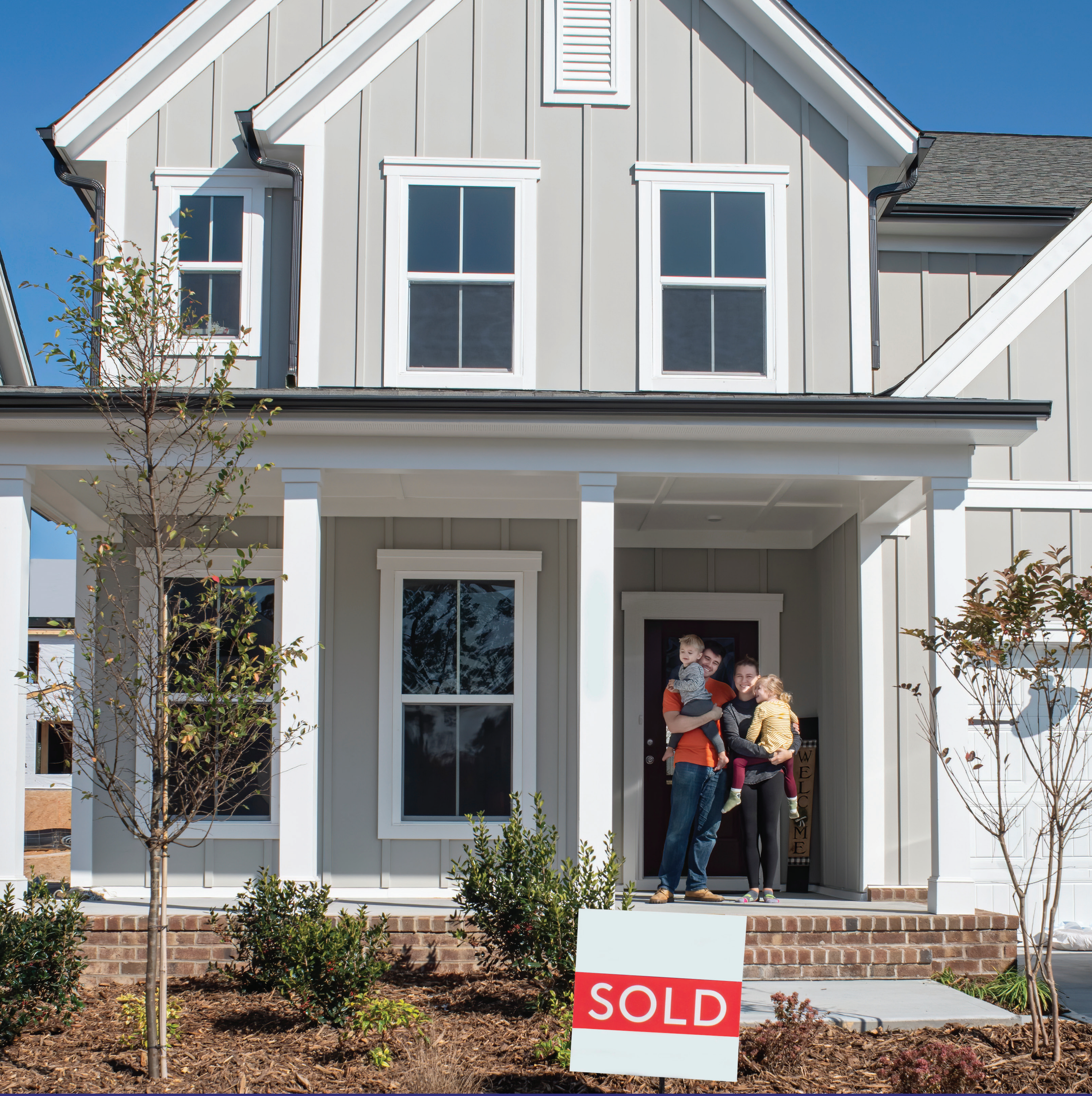
- Review final loan details and costs

Step 7: Closing Day (1 –2 Hours)

- Sign final documents
- Pay closing costs
- Receive the keys to your new home!

Your Path to Homeownership

If you're ready to begin, let us help you take the next step. We hope this guide has answered some of your questions, but we know you may have more—that's what we're here for! Reach out anytime, and let's make your homeownership journey a smooth one.



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