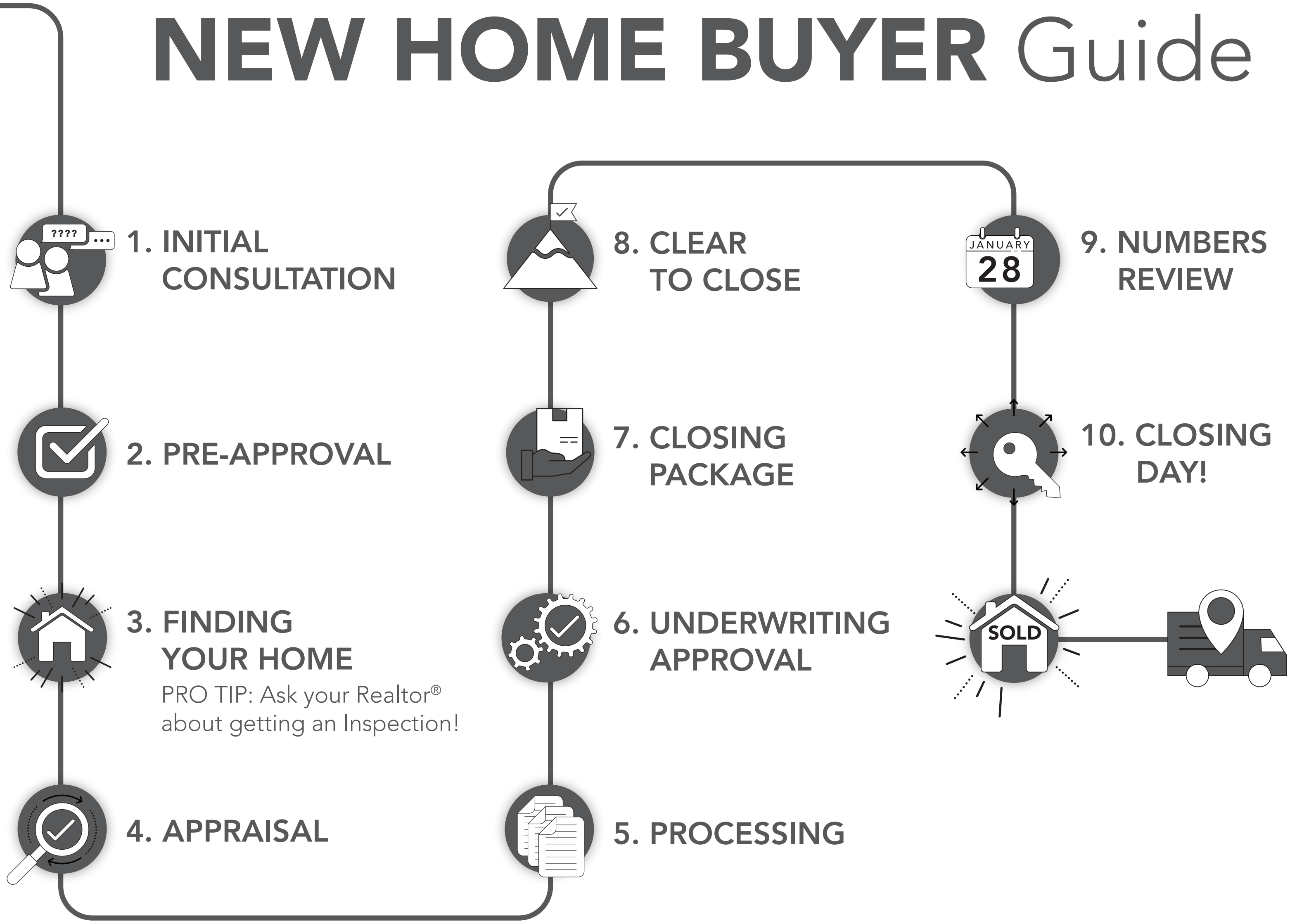
NEW HOME BUYER Guide



Use this helpful guide to educate yourself on the homebuying process and learn very useful tips to make the process easy!

Summit Mortgage Corporation

01 INITIAL CONSULTATION

Your current financial situation is discussed

We will inquire about your income, assets, liabilities and credit so we can assess your current **debt-to-income ratio** and determining a qualifying payment or purchase price.

DEBT-TO-INCOME RATIO: This is a key ratio used to determine the amount of money you can borrow. It is your monthly payment obligation divided by your gross monthly income.

GETTING PRE-APPROVED 02

Provide all requested documentation (a list of typical documentation follows on page 3 of this guide).

Pre-approval is needed for you to start shopping for the home that fits your needs.

We will discuss specifics with you including your **credit score**, **PITI** including **PMI**, **escrow payment** and the best **loan type**.

CREDIT SCORE: Your credit score could mean the difference between being denied or approved for a home loan, and how low or a high of an interest rate. There are 3 major credit bureaus: Equifax, Experian, and Transunion. Data from your credit score is categorized into 5 major elements that make up your credit score: payment history, amounts owed, length of credit history, new credit and types of credit used. For example even if you have paid your outstanding credit on time but every account you have is used to the maximum amount, your scores will be lower than someone who has high maximum credit but lower balances on each.

PITI: An acronym for the total mortgage payment, which is made up of Principal, Interest, real estate Taxes and Insurance.

PMI (PRIVATE MORTGAGE INSURANCE): Insurance provided by a private company to protect the mortgage lender against losses that might be incurred if a loan defaults.

ESCROW PAYMENT: An amount paid with monthly mortgage payment for items such as taxes or homeowners insurance.

LOAN TYPE: There are many types of mortgages available. Your Summit Loan Officer will help you understand your options so that you can make an informed decision. Use this table as a guide:

LOAN TYPE	FEATURES	WHO MAY BENEFIT
FIXED RATE MORTGAGE - the interest rate stays the same for the life of the loan	Predictable monthly payments Rate will remain the same over the entire term.	This type of loan is chosen when a buyer plans to remain in the home for a long period of time.
ADJUSTABLE RATE MORTGAGE (ARM) - the rate may go up or down on pre-determined dates reflecting current market conditions	The initial interest rate is generally lower than that of a fixed rate. The initial interest rate is locked in for a fixed period of time. There are different introductory periods of time to choose from ex. 5yr, 7yr, 10yr After the introductory period the rate can adjust every year.	This type of loan is chosen by a buyer who plans to refinance or sell the home in a few years or can make a larger monthly payment if the rate adjusted upwards. For example: maybe a spouse is in school and will be getting a job in a year or two, promotion, etc.
FHA LOAN - The Federal Housing Administration designed these loans to meet the needs of low or moderate incomes	Low 3.5% minimum down payment required. Flexible qualifying guidelines.	This type of loan is often chosen by a buyer looking to put less money down.
VA LOANS - The Department of Veterans Affairs guarantees loans for qualified veterans	Gift funds can be used for all or a portion of the down payment and closing costs.	Available to active-duty or veteran military service members. Un-remarried surviving spouses of a veteran who died from service-connected injuries or un-remarried surviving spouse of a veteran who was totally disabled at the time of death may also qualify.
USDA LOANS - Guaranteed by the US Department of Agriculture	Low or no down payment. Flexible qualifying guidelines. Property must be located in qualifying rural area. Maximum income based on geographic area. There is an upfront Mortgage Insurance fee and a monthly MI fee.	This type of loan is often chosen by a buyer looking to put less money down.
CONVENTIONAL LOANS - Fannie Mae, Freddie Mac Conforming & Non Conforming	Low down payment with mortgage insurance on conforming loan limits. No MI with 20% down. More strict qualifying guidelines.	This type of loan is often chosen by a buyer with more money to put down and lower debt to income ratios.
HOMEREADY & HOMEPOSSIBLE	Low down payment, lower mortgage insurance than traditional conventional loans. At least one borrower must complete home buyer education.	This type of loan is often chosen by a buyer with lower to moderate income.
HOMEPATH - Fannie Mae REO properties	Low down payment, no mortgage insurance, no appraisal.	This type of loan is often chosen by a buyer wanting to purchase an REO (Real Estate Owned) property.
DOWN PAYMENT ASSISTANCE PROGRAMS - funded by private and public partnerships, organizations either state, county or city sponsored, non-profit entities, etc.	Low down payment first mortgages or stand alone 2nd mortgages. Income limitations.	This type of loan is often chosen by a buyer needing assistance with down payment and closing costs.

REQUESTED DOCUMENTS LIST

YOUR SOURCE OF INCOME - HOW YOU'LL PAY YOUR MORTGAGE

EVERYONE

- ☐ Federal Tax Returns (All pages)
- ☐ Child support/alimony (if using income to qualify): court order or 12 months cancelled checks or bank statements showing consistent deposits
- ☐ Award letters for social security, pension, disability, etc.

W-2 WAGE EARNERS

- ☐ Pay stubs for the last 30 days (if your income includes overtime, bonuses or differential pay, you may need your most recent end-of-year payroll stub)
- ☐ W2's for the last 2 years
- ☐ Written explanation if employed less than 2 years or a 30 day gap in the last 2 years.

SELF-EMPLOYED

- ☐ Self-employed documentation
- ☐ Year to date profit and loss
- ☐ Year to date balance sheet
- ☐ List of all business debts
- ☐ Evidence business pays debts

YOUR ASSETS - HOW YOU'LL FUND YOUR DOWN PAYMENT

- ☐ Original bank statements for last 2 months (checking, savings, and investment accounts)
- ☐ Original account statements for last 2 months (stocks and investments)
- ☐ Settlement statement (if using funds from the sale of a property)
- ☐ Sale of assets (proof of ownership, proof of sale, proof of funds transferred to you)

YOUR PAYMENT HISTORY - TO REVEAL YOUR BORROWING PRACTICES

- ☐ Cancelled rent or mortgage checks for the last 12 months, if not available on credit report
- ☐ Bankruptcy discharge paperwork
- ☐ Proof of paid off collections/judgments

ADDITIONAL INFORMATION - IF APPLICABLE

- ☐ Purchase agreement including legal property description and any addendum
- ☐ Discrepancies on credit including explanation of discrepancies

MISCELLANEOUS - IF APPLICABLE

- ☐ ______________________________
- ☐ ______________________________
- ☐ ______________________________

The detailed list above is only partial. As mortgage industry technology improves, more lenders will be able to obtain many of the documents above from their sources (with your authorization) rather than getting paper, emails, or uploads from you.

Improved technology may help with convenience, but it won't reduce the documentation needed, so this list provides the proper perspective of what goes into a loan approval.

03 FIND YOUR HOME, MAKE AN OFFER, SIGN THE PURCHASE AGREEMENT

Your Realtor® will ask you about **earnest money** and **seller paid closing costs**.

You will also be asked if you would like to order a **home inspection**. Your Realtor® will assist with ordering this and will let you know the upfront cost of the inspection.

PURCHASE AGREEMENT: This is the document received after mutual acceptance on an offer, which states the final sale price and all terms of the purchase. The specific items in this contract vary by state.

EARNEST MONEY: Buyer pays this to the seller before closing to ensure the buyer's seriousness about purchasing the home. This money is not an additional cost and will be deducted from the purchase price at closing.

SELLER PAID CLOSING COSTS: Closing costs associated with your loan that are paid by the seller's proceeds to reduce out-of-pocket expenses for you.

HOME INSPECTION: Your home inspection should be performed by an inspector that educates the buyer about the condition of the home and its major components. Obtaining a home inspection will provide details on the home's condition with an eye toward both existing and potential future problems.

HOME APPRAISAL 04

Once your offer is accepted your new home will need to be appraised by a qualified appraiser.

The home **appraisal** is a key component to your home buying transaction.

APPRAISAL: An appraisal provides valuable information for the buyer, but the appraiser's primary mission is to protect the lender. Lenders can't lend more money than the property is worth and that's why the appraisal takes place before the lender grants final approval of the buyer's loan. The appraiser surveys the physical condition of the home and runs a comparative analysis of similar homes recently sold. A copy of the appraisal report is always provided to the buyer.

05

INITIAL PROCESSING

Once your offer is accepted we will also begin finalizing your documentation and requesting updated documents including bank statements, pay stubs and proof of your earnest money clearing your account.

At this time you will also obtain **homeowners insurance**, consult with your loan officer regarding **locking in your interest rate** and sign your initial disclosures.

Your file will be prepped for Underwriting.

HOMEOWNERS INSURANCE: An insurance policy that combines various personal insurance protections, which can include losses occurring to one's home, its contents, loss of use (additional living expenses), or loss of other personal possessions of the homeowner, as well as liability insurance for accidents that may happen at the home or at the hands of the homeowner within the policy territory. Let your insurance agent know coverage will need to meet 100% of the insurable value of the property.

LOCKING IN YOUR INTEREST RATE: A rate lock is a guarantee from a mortgage lender that they will give you a certain interest rate, at a certain price, for a specific time period.

A rate lock protects you from rising interest rates: If you lock in a rate of 4.75 percent, you only have to pay 4.75 percent interest even if rates rise while you're going through the loan application process. Usually, a rate lock is good for 30, 45 or 60 days, though that time period can be shorter or longer; once that period expires, you may be subject to lock-extension fees.

FILE IS SUBMITTED TO UNDERWRITING FOR APPROVAL

06

Keep in mind the underwriter may request a few additional items for review prior to issuing the final approval.

This is a normal part of the process, so don't let this worry you. If you have been requested to submit additional documents, be sure to get everything back **within 24 hours** so there are no delays with your closing.

UNDERWRITING: The process a lender uses to determine the risk of offering a mortgage loan to a particular borrower. Most of the risks and terms that underwriters consider fall under the three C's of underwriting: credit, capacity and collateral. During this process the underwriter uses industry guidelines to analyze the various aspects of the mortgage and provide recommendations regarding the risks involved. Ultimately, it is always up to the underwriter to make the final decision on whether to approve or decline a loan.

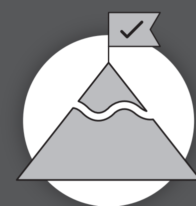
07 CLOSING DISCLOSURE/CD SIGNED AND CLOSING PACKAGE SENT TO THE TITLE COMPANY

The CD is sent to you, remember to sign this ASAP so there are no delays with your closing.

This will go over the amount of money that is needed for closing and your monthly payment.

YOU HAVE REACHED A HUGE MILESTONE! 08

You are so close to owning a home! Please be sure to stay in touch with your loan officer about any last minute financial decisions.



09 FINAL NUMBERS REVIEWED

A few days prior to closing, we will contact you with the final numbers.

You will have specific instructions on whether to obtain a cashier's check, who it should be written out to or if a wire is needed for funds to close.

You will need to obtain this at least 1 day prior to closing. (Each **title company** has different requirements as to whether they will accept a cashier's check or if you need to have a wire transfer.)

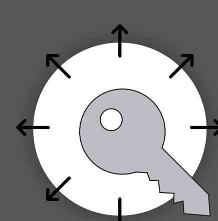
TITLE COMPANY: The title company verifies ownership of the property and determines the valid owner through a thorough examination of property records in a title search. The title search determines the legal owner of the property; reveal any mortgages, liens judgments or unpaid taxes outstanding on the property and details any existing restrictions, easements or leases that affect the property. The title search ensures you will be the legal owner of the property and we, as your lender, will be in first lien position.

CLOSING DAY 10

Congratulations, it's time to get your new keys!

Don't forget your drivers license, your checkbook and your funds for closing.

You will sign all of the final disclosures; note and mortgage. We will be there with your title agent to answer any questions. Once the documents are signed, the keys will be yours!



PREPARING FOR YOUR MORTGAGE APPROVAL

Do's and Don'ts before and during the loan process

GOOD HABITS: THE DO'S

DO: Keep paying your bills on time including any mortgage, car, credit cards, etc. even if they're being paid through the new loan.

DO: Inform us in advance of any employment or income change.

DO: Keep copies of all pay check stubs you receive.

DO: Call us before changing your marital status.

DO: Call us if you are going out of town or planning a vacation.

DO: Call us anytime if you are unclear or have a question about your loan.

POTENTIALLY HARMFUL: THE DON'TS

DON'T: Change your employment status or your pay scale, even if it seems good. This could endanger your loan approval. Call us first.

DON'T: Buy new furniture for your home or anything where your credit report needs to be pulled, including interest free credit at a furniture store. Hint: If they need your SSN, they're probably going to check your credit. Call us first.

DON'T: Start significant home improvements on your home.

DON'T: Payoff collections or charge-offs. From now on, don't pay off collections unless we specifically ask you to. Generally, paying off old collections causes a drop in the credit score.

DON'T: Max out or over charge existing credit cards.

DON'T: Consolidate debt. Wait until after your loan closes.

DON'T: Close credit card accounts.

DON'T: Cosign on a loan, change your name, or address.

DON'T: Make large purchases such as real estate or vehicles.

DON'T: Move money around, open, or close accounts. Keep funds in one account.

DON'T: Make cash or unexplainable deposits into bank accounts.

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