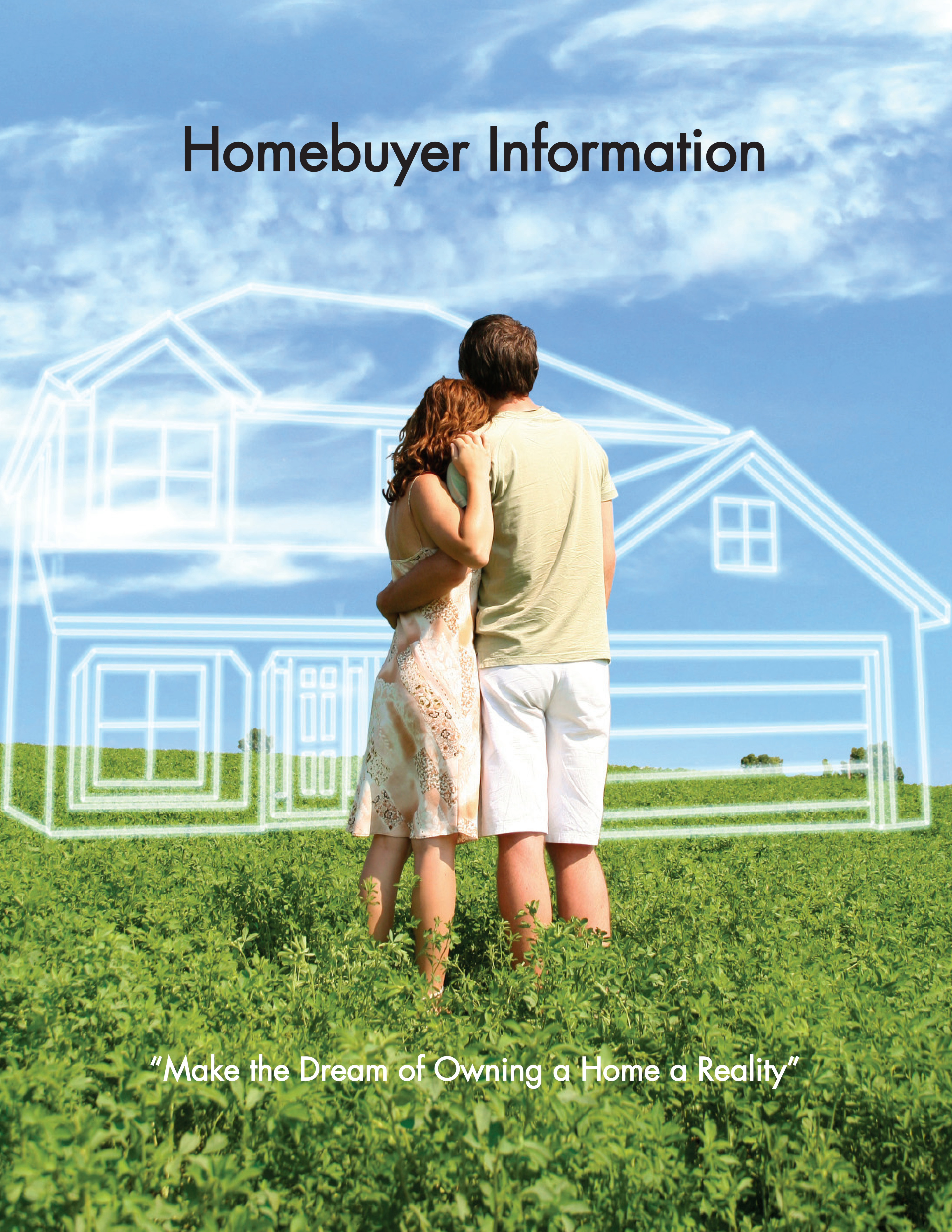
Homebuyer Information



"Make the Dream of Owning a Home a Reality"

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Are You Ready For Homeownership?

Owning a home is part of the American Dream, but also a serious financial commitment. It takes time, energy and money but is well worth the effort.

It is important to determine if owning a home is the right step for you…

2/3 of people in the U.S. own their own home!

Stop and ask yourself 4 questions to determine if you are ready for homeownership:

1. Do I have a continuous, reliable source of income?

2. Do I have money saved for a down payment and closing costs?

3. Do I currently pay monthly bills on time and manage my debts?

4. Do I have time to take care of a home?

If you answered YES to most of these questions, you may be ready for homeownership.

+ Advantages To Homeownership:

- **Build Equity** – Equity in your home is the difference between the value and amount of your liens/mortgages.
- **Receive Tax Breaks** – Homeownership may allow you certain deductions on income taxes such as mortgage interest, real estate taxes paid, capital gain deductions, etc.*
- **Ability To Remodel, Update And Make Changes** – As homeowner, you can paint walls, remodel the kitchen, landscape your yard, things normally not possible as a renter.
- **Pride Of Homeownership** and sense of community.

- Disadvantages To Homeownership:

- **Serious Financial Commitment** – You must continue to make payments or sell your house if you decide you don't want to live in the home anymore.
- **Maintenance/Repairs/Assessments** – Homeowners are responsible for costs. Costs are variable and could increase over time.
- **Property values can depreciate.**
- **Usually, you can't move quickly.**
- **Costs Incurred** – There are some costs incurred when purchasing a home. Please see the next section.

*Consult a tax advisor regarding the tax benefits that may apply in your situation.

Be prepared ahead of time for the expenses associated with homeownership.

There are numerous costs involved with purchasing and maintaining a home. Make sure that you can still meet your other financial and personal obligations before you purchase. This section will highlight many of the costs related to purchasing and maintaining a home.

Costs To Purchase

1. **Earnest Money Deposit** – Buyer's funds provided with accepted offer, indicating a good faith deposit toward purchase of property. Paid at time offer to purchase is made to property seller.

2. **Down Payment** – The upfront portion of the total amount due for the purchase of the home, paid at loan closing. Depending on which loan program you qualify for, this could be 3.5% or more of the home's sales price. If you don't have a down payment, start a savings plan by making a monthly budget. Or see if a relative would be willing to give you a gift, not a loan you are expected to pay back.

3. **Closing Costs** – These costs include, but are not limited to, loan origination fees, up-front points (prepaid interest), application and processing fees, appraisal fee, survey, title search and title insurance, homeowners insurance, recording fees, transfer tax and attorney's/closing fees, and property tax adjustments. Some of these fees are paid at the time you apply for your mortgage loan and some are paid at loan closing. When you apply for a mortgage loan, you will receive a Good Faith Estimate of all of the closing costs up-front so you know what to expect.

4. **Housing Related Costs** – This includes moving fees as well as the costs you may incur right after moving in: changing locks on doors, new appliances, paint, minor or major repairs such as installing new carpet, window treatments, furniture, installation fees for cable, high speed Internet, and phone services. Other expenses could also be incurred such as yard equipment needed to maintain the property, etc.

Ongoing Housing Costs

1. **Mortgage Expenses** – PITI is Principle, Interest, Taxes and Insurance. The components of a monthly mortgage payment. Another expense is called PMI (Private Mortgage Insurance).

2. **Monthly And Yearly Expenses** - Utilities, heat, property taxes, repairs and maintenance, hazard insurance, services such as trash or snow removal, landscaping, assessments, and association costs (HOA dues) are just some of the expenses.

The 10 Step Home Buying Process

1. **Get Pre-qualified/Pre-approved** – There are literally hundreds of options for borrowers today. A loan specialist can help you determine what product is right for you.

2. **Look for homes,** write a purchase offer and negotiate with counter offers until a final purchase price is agreed upon.

3. **Loan Approval**
   - Bring needed documentation to your loan officer.
   - Determine the type of mortgage that is right for you, such as fixed rate, adjustable rate mortgage, FHA or VA for example.
   - Compare interest rates for the different mortgages.
   - Complete initial application, and your lender will proceed with ordering the credit report, title, appraisal, etc.
   - Provide documents as requested by your lender.
   - Lender will underwrite and qualify you for a home loan. This includes calculating your Debt-To-Income (DTI) and Loan-To-Value (LTV). The DTI and LTV will play a critical role in qualifying you for a mortgage.

Once your loan is approved:

4. **Order Homeowners Insurance Policy.**

5. **Order Home Inspection** and issue a request for repairs if applicable (work with your Realtor).

6. **Do final walk-through of home.**

7. **Loan closing/signing.**

8. **Bring certified check to closing** payable to escrow for down payment and closing costs.

9. **Close escrow/fund.**

10. **Receive the keys to your new home and enjoy homeownership!**

FAQ's

Q: What if I recently changed jobs?
A: Lenders typically require that you have a two-year job history; you can change jobs and still be in the same industry. If you are self-employed, you must have a minimum of a two-year history of self-employment.

Q: What income qualifies for a loan?
A: The most common income is hourly or salary income that is documented with a W-2 and paystubs. Many individuals are self-employed which also qualifies as income. Lenders require that you be able to produce two-years of tax returns that have been filed with the IRS regardless of the income used for your loan. Other sources of income include Social Security, disability, child support and alimony.

Q: What debt is factored in to qualifying for a loan?
A: Credit cards, auto loans, and student loans in repayment, any debts that you pay monthly outside of normal living expenses. Child support and alimony are also considered debt.

Understanding Your Credit Score And How It Impacts Your Life

What is a credit score?

A credit score, typically called a FICO® score, is named after Fair Issac and Company. It is a number lenders use to help decide your ability and willingness to repay your debt. It is considered to be an estimate of your credit risk at a particular point in time and will change as your credit behavior changes over time.

Your credit score will rank from 300 to 850. It is believed in the credit industry, that the higher your credit score is, the better chance you will repay your debts back on time. Each of the three credit bureaus can provide a numerical score. They may be slightly different depending on what information has been provided to that company.

What does my credit score impact?

Your credit score impacts more than just the mortgage you are applying for. Many employers now review credit scores on new applicants and your score could affect a potential job offer. Insurance companies review credit scores annually and you may pay higher insurance premiums/rates if you have a lower credit score.

Your credit score can also affect your ability to: open checking/saving accounts; to purchase major items such as a car or boat; to open a retail credit card; to generate higher interest rates on credit cards and loans; to rent an apartment; require security deposits on utilities; to obtain a cell phone; to start your own business; and to receive low mortgage interest rates.

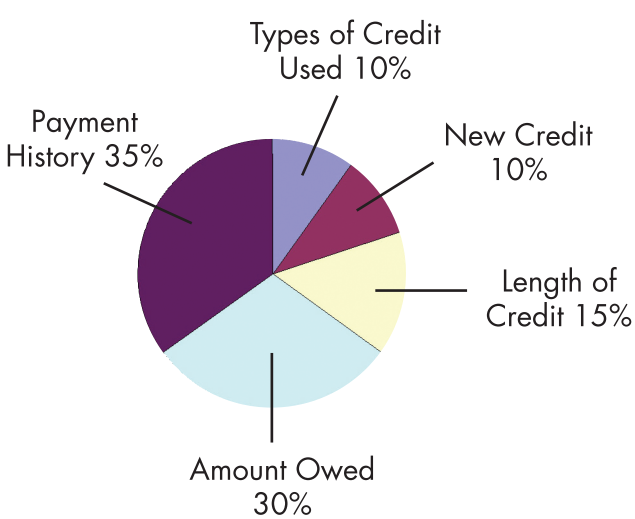
Why is good credit important?

- A good credit history increases the confidence of lenders and creditors in you.
- With it, you can borrow money at a lower cost.
- It will help you fulfill short-term goals and achieve your long-term dreams.

Understanding Your Credit Risk Score

Many factors come into play when determining a credit score, including:

- Past payment history.
- Amount of debt outstanding.
- Number of open tradelines.
- Length of time credit is established.
- Search for and acquisition of new credit (inquiries).
- Types of credit established.
- Bankruptcies or judgments.



More information on FICO® scores and credit scoring can be found online at www.myfico.com/crediteducation. Information provided courtesy of the Fair Isaac Corporation.

How Can I Improve My Credit Score?

Payment History Tips

- Pay bills on time.
- If you have missed payments, get current and stay current.
- Be aware that paying off a collection account will not remove it from your credit report.
- If you have trouble making ends meet, contact your creditors or see a legitimate credit counselor.

Debt Amounts Owed Tips

- Keep balances low on credit cards and other "revolving credit".
- Pay off debt instead of moving it around.
- Don't open a number of new credit cards that you don't need, just to increase your available credit.

Length Of Credit Established Tips

- Don't open a lot of new accounts too rapidly.
- Don't close unused credit cards as a short-term strategy to raise your credit score.

New Credit Tips

- Do your rate shopping for a given loan within a focused period of time.
- Re-establish your credit history if you have had problems.

Which of the above factor(s) are negatively affecting your credit score?

1. ________________________________
2. ________________________________
3. ________________________________

What are 3 changes I can make (short & long term) to improve my score?

1. ________________________________
2. ________________________________
3. ________________________________

Note: Raising your credit score will take time as there are no quick fixes.

Helpful Hints For Using Credit Wisely:

Have some credit but not too much. Only apply for what you need and try to restrict credit card use. Ask yourself the following questions before purchasing with credit:

- Is this something I need?
- Do I need it now?
- Do I have the ability to repay?
- How long will it take to repay?
- How much will it ultimately cost me?

- Make sure that monthly debt payments do not exceed 20 percent of your monthly net income. Shop around for credit cards and loans with the best terms. Compare the APR's (Annual Percentage Rate).
- Avoid late charges. Pay the entire balance when it's due and review your spending habits to avoid interest.
- Never lend credit cards to friends or leave credit cards or receipts lying around where people can find them.
- Understand what co-signing a loan for a family member or friend means.
- Plan for upcoming obligations now. Save, save, save!
- Stay within 30 percent of your credit limit. Keeping balances low helps maintain a good credit score and debts are easier to manage.

Credit Bureau Information

Credit Bureaus

Credit bureaus are businesses that maintain files on basically every consumer who has ever had some type of credit obligation, such as an auto loan or a credit card. Credit files contain information such as the amount of credit debt a consumer has accumulated, the type of debt, and payment history.

There are three major repositories: Equifax®, Experian®, and TransUnion®. Credit bureaus collect information on consumers from lenders such as banks, credit card companies, department stores, and collection agencies.

Experian (XPN) – Fair Isaac
PH: 714-830-7000
www.experian.com
P.O. Box 2002, Allen, TX 75013-0036

Equifax (EFX) – Beacon
PH: 404-885-8000
www.equifax.com
P.O. Box 740241, Atlanta, GA 30374

Trans Union (TRU) – Empirica
PH: 716-632-1765
www.transunion.com
P.O. Box 2000, Chester, PA 19022

Pulling Your Credit Report

Contact your loan officer or you can also write a letter to one of the three bureaus listed above requesting one free annual credit report. There are also websites such as Freecreditreport.com. Be careful when going to the free credit report websites as some companies try to make you pay for extra information that you don't need. Remember you are entitled to receive one free credit report annually!

Chart Your Progress:
Insert your credit scores in the chart below. As you have made changes to the way you handle your credit, periodically recheck your score to watch for improvement.

Date Credit Score Pulled	Experian Score	Equifax Score	TransUnion Score
Example: 01/01/2010	653	692	644

Reading Your Credit Report

When a person's credit history is requested by a potential lender or creditor, the information is collected and packaged into what is known as a credit report. Your credit report may contain information on all current and closed lines of credit, including the payment history of current and prior addresses, employment history and recent inquiries. Lenders and creditors use the information from the credit report to supplement any applicant information they have gathered in order to make an informed decision about a consumer's creditworthiness.

CREDIT HISTORY

ECOA	CREDITOR ACCOUNT NO	RPTD	LAST ACT	OPND	LIMIT OR HIGHEST CREDIT	PRESENT STATUS: BALANCE OWING	PRESENT STATUS: AMOUNT PAST DUE	TERMS PYMT AMT	TYPE/RATE VENDOR	HISTORICAL STATUS: NO MOS HIST REV	30 DAYS	60 DAYS	90 DAYS
2	CHICAGO ACCP #D00 8828 NILES CTR RD SKOKIE IL 60077 Status is closed.	09/07 CLOSED	01/06	06/03	7050	0 $0 Outstanding Balance	0	30 M 235	INS 01 SECURED TRU 01	48	0	0	0 Account has been paid on time every month
1	COLLECTION Derogatory Tradeline #M30334 1460 RENAISSANCE DRIVE STE 400 PARK RIDGE IL 60068 (847) 954-4200	11/07 PAID CLIENT-NORTH CENTRAL R	01/02	05/06	283	0			09 EFX 01				
4	WELLS FARGO HOME MORTG #0626728089499 625 JUNEVILLE CENTRE DR SAINT LOUIS MO 63141 (874) 951-9666	04/10 FHA REAL ESTATE LOAN	04/10	06/07	65954	65068	$528 Monthly Payment	360 M 528	MTG 01 REAL ESTATE XPN 01 (EFX,TRU) Mortgage is the Account Type	11	0 11111111111	0	0 Account has been paid on time every month

A trade line is an item on the report that contains information about a particular account and includes the name of the lender/creditor, account number, payment history, balance on the account, monthly payment amount, account type, etc. Each trade line is broken into columns containing information on that specific account.

Column Headings:

Creditor	Account number, credit name and contact information.
Rptd Last date	Creditor reported the account information to the credit bureau.
Opnd	Indicates the date the account was opened.
High	Credit limits or the starting balance of the account is shown.
Balance	Current balance of the account.
Past Due	Amount the account is past due.
Pymt Amt	Average monthly payment made on the account.
History	Indicates the payment history for the account.

Account Type:
M = Mortgage
R = Revolving
I = Installment
O = Open, 30 days
C = Line of Credit
Y = External Collection

Additional information found on your credit report:

1. **Inquiries**
   A listing of all inquiries made on the consumers file in the last three months, six months, 12 months, or two years. Each listing includes the date of the inquiry, the name of the company inquiring, and the bureaus that were accessed for the inquiry.
2. **Address Information**
   A record of all the addresses reported by the creditors listed on the report.
3. **AKA Information**
   Alternate variations of your name reported by creditors listed on the report.
4. **Employment Information**
   This section shows a list of past and current employers reported by creditors.
5. **Consumer Statement**
   Here you will find any notes a consumer may have submitted explaining reason for delinquency, identity theft, etc.

An important fact to know is that all credit reports may not be the same. Not all lenders and creditors report to all three credit bureaus, so each report may contain some of the same information, as well as, different information.

Steps To Repair Your Credit

Step #1 – Obtain a copy of your credit report

If you have not been provided with a copy of your credit report, you will need to request one. You can request a free annual copy of your credit report from each of the credit reporting agencies at freecreditreport.com. If you have been denied for credit, you can also provide your denial letter to the credit bureaus along with a request for your credit report to obtain a free credit report.

Step #2 – Gather your information

Once you receive your credit report, take your time reviewing each item. If you find an error, then you will need to write to the credit bureau(s) requesting that the error be removed. Give a plausible reason as to why the account is not yours, or is incorrect.

Step #3 – Send letters to credit bureaus

Send the letters, along with the reasons for the dispute and a copy of your credit report to each of the three bureaus. Attach any copies of supporting documentation from creditors you have that show the correct account information. The credit bureaus must respond within 30 days. If they fail to respond, then they must delete the item from your credit report. Note: send your letter by certified mail, so you can ensure the credit reporting agency received it.

Step #4 – Keep Track of Your Progress

Keep all copies of response letters from the credit bureaus to provide when you are ready to purchase your home.

For more information on repairing your credit or sample dispute letters, you can go to http://www.ftc.gov/os/statutes/fcrajump.shtm.

Borrower's Rights Under The Fair Credit Reporting Act (FCRA)

The Federal Trade Commission (FTC) enforces the credit laws that protect your right to obtain, use and maintain credit. These laws do not guarantee that everyone will receive credit. Instead, the credit laws protect your rights by requiring businesses to give all consumers a fair and equal opportunity to obtain credit and to resolve disputes over credit errors.

The Fair Credit Reporting Act (FCRA) promotes the accuracy and privacy of information in the files of the nation's credit reporting companies.

Congress passed the FCRA because they felt we all deserve a second chance. The FCRA sets certain guidelines which credit bureaus and your creditors must follow when reporting your credit history, as well as giving the consumer certain rights. These rights include the opportunity to correct, update, and amend your credit report. These laws do not work though unless you initiate and use them.

One part of this law states that when you dispute any information contained on your credit file, the credit bureau must verify the accuracy of the information with the creditor who reported the information within 30 days. If they are unable to verify the information within 30 days, it must be removed.

Your six basic rights under the FCRA

1. You, the consumer, have the right to challenge the accuracy of your credit report any time.
2. The credit bureaus must reinvestigate anything you challenge without a charge.
3. The credit bureaus must reinvestigate within a reasonable amount of time. 30 days constitutes a "reasonable amount of time" unless the bureau notifies you otherwise, so keep accurate records.
4. If the credit bureau finds an error in the challenged item, they must delete or correct that information in your files immediately.
5. If the credit bureaus cannot or do not confirm the challenged item within 30 days, they must delete that information from your files immediately.
6. You have the right to submit a Consumer Statement, which is your view of the problem. If you, as a credit consumer, dispute the accuracy of certain information in your credit report and it is verified by the creditor as correct, then the credit bureau is required to include your explanation of your dispute, if you request, in your credit report. Limit your explanation to no more than 100 words.

For more information on the FCRA, please visit http://www.ftc.gov/os/statutes/fcrajump.shtm.

Saving Money

- You may want to start by opening up a savings account. If you already have one, good for you!!! Now is the time to start building your funds!

- Remember, that many types of mortgages do not allow down payments or closing costs to be paid from cash on hand, so opening a checking or savings account is important.

- Start by "paying yourself" first. Put a small, affordable percentage of your income into a savings account every month. Direct deposit is great for distributing money into a savings account and it's often easier if you never see the money.

- Gather up all extra change and deposit it into your savings account. Also, something else you can try, when you break a $5, save the extra one dollar bills and deposit them into your savings account at the end of the week.

- Pay all bills on time! Late fees are expensive and eat into your savings ability. AND you need the positive payment record to help you get approved!

- Don't over draw your bank account! Overdraft fees of $30 or more really hurt. Try putting away the check book, ATM / Debit Card and set aside money in envelopes each month designating one for each item that you are going to use it for i.e. groceries, bills, etc. And don't forget to "pay yourself" too!

- Start making your lunch. If you think about how much you spend eating out, you will be amazed.

- Have you used coupons? Take a good hard look at what you are buying. Can you cut down or buy cheaper? Coupons are now readily available on-line as well for many retail businesses.

- Get your books, DVD, and CDs from the library…it's FREE!

- Coffee break / soda break / chip or candy break – have you ever noticed how much higher these items are when you buy them at a vending machine? Stopping at Starbuck's almost every day at $4.00 a visit adds up.

• Eliminate some cable services or bundle your cable, Internet and phone.

• Have a garage sale or sell items you no longer use on the Internet. You may be surprised how much money you can make and it will reduce with packing once you purchase your new home.

• Agree to a limit for gift giving. Be upfront and honest with yourself, your family and friends. Tell them your goals and dream to own a home.

• Sit down and talk to your immediate family about your goals and plans to save money. Get them involved as well. Involving the children will help teach them how to build a good foundation and show them that they too can reach their goals.

Budgeting

One excellent way to take control of credit is to use a budget. Think of a budget as your spending plan. It helps you plan where you will spend your money, how you will save some of it and helps prevent future financial difficulties. Another good reason for having a budget is that it helps you get ready to buy a home. When you apply for a mortgage loan, you can feel comfortable that the mortgage payment is sustainable.

There are four steps to making a budget:

1. List your income.
2. List your expenses.
3. Compare income and expenses.
4. Set priorities and make changes so your income is greater than expenses.

For a budget to work, it must be accurate. For example, don't overestimate your income and don't forget bills that only come due every few months or so, such as car insurance. In these cases, list the average cost per month. For example, if you pay $450 for car insurance every six months, you must save $75 each month to pay the bill.

Use the budget worksheet on the next page to list your household income and expenses. If you are not sure how much you spend on things, write down everything you buy for a few months. This will help you see where you spend money and where you might be able to cut back.

Monthly Household Budget Worksheet

Expenses

Housing Expenses $ ____________
Rent/mortgage $ ____________
Property tax/insurance $ ____________
Home maintenance $ ____________
Electricity $ ____________
Natural gas/heating oil $ ____________
Water $ ____________
Other $ ____________

Non-Housing Expenses

Food $ ____________
Clothing $ ____________
Day care/tuition $ ____________
Car loan(s) $ ____________
Car Insurance/tax $ ____________
Gasoline and oil $ ____________
Car repairs $ ____________
Healthcare not covered
by insurance $ ____________
Credit Card #1 payment $ ____________
Credit Card #2 payment $ ____________
Credit Card #3 payment $ ____________
Other loan payments $ ____________
Alimony/child support $ ____________
Entertainment $ ____________
Telephone $ ____________
Cable
Insurance (other than car) $ ____________
Savings for emergency fund $ ____________
Other $ ____________

Total Monthly Expenses $ ____________

Income

Net (take-home) pay $ ____________
Net (take-home) pay $ ____________
Net overtime $ ____________
Social Security benefits,
Pension $ ____________
Investment earnings $ ____________
Public assistance $ ____________
Alimony/child support $ ____________
Other income $ ____________

Total Net Monthly Income $ ____________

Total Monthly Expenses $ ____________

Income After Expenses
(Total Net Monthly Income Minus Total Expenses) $ ____________

Practice Making A Mortgage Payment

Once you have established a working budget, practice making a mortgage payment for three months to determine if you will be able to pay that amount every month. For example, if your rent is currently $500 and your anticipated mortgage payment is $650, after you make your rent payment, take an additional $150 and put it into your savings account. If you run into trouble putting away the additional money, you will know that the mortgage payment may be too high and you can look at reducing it to a more manageable amount.

Determine Lifestyle changes you want to consider making

In order to reach your goals, which include saving money for a home, improving your credit, etc., write down three short-term changes and three long-term changes you can make to attain your goals.

Short-Term Lifestyle Changes:

1. ____
2. ____
3. ____

Long-Term Lifestyle Changes:

1. ____
2. ____
3. ____

How To Increase The Value Of Your Home

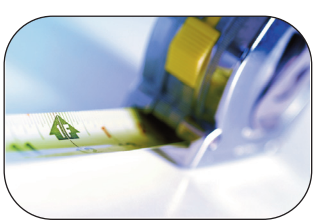
For consumers looking to refinance, sell or purchase a new home, here are some tips to increase the value of your home.

Renovations/Remodel
Kitchens and bathrooms are the best place to get a return on value. These are two of the most important.

Energy Efficient Windows And Appliances
Install new energy efficient windows and appliances which are attractive to many homebuyers. This will also save you money in the long run.

Curb Appeal
If you don't have a lot of money to invest, this is a great place to increase value. By trimming overgrown scrubs, planting fresh flowers, modernizing mailboxes and house numbers, and even applying a fresh coat of paint, you can immediately make your home more attractive.

Fresh Paint And De-clutter
Inside your home, simple updates such as fresh paint on the ceiling and walls can turn an outdated or dingy room into a bright welcoming space. Packing away or selling items you no longer use will free up space and make your home look larger.



Do-It-Yourself Projects
Take some time each month to make needed repairs around the house to burnt out light bulbs, broken windows, scratched floors, dirty windows, and carpet, leaky faucets and out dated blinds or curtains. Again, these inexpensive fixes will help increase the value of your home.

Sources: Freddie Mac Credit Smart www.nfcc.org