HomeBuyer Handbook

YOUR LOAN PROFESSIONAL

John Varughese is a true seasoned professional with over 10 years experience working in the finance industry, and an extensive background in banking. Having spent the entirety of his career in Southern California, John understands the needs of his local clientele and consistently stays abreast of the ever-changing marketplace.

John is not only extremely knowledgeable but also exceedingly committed to his clients. This is evidenced by his constant communication and accessibility 24/7.

John is well versed in all typed of loan products, but is especially fond of servicing the loan needs of our Country's veterans. While the intricacies of VA loans can be difficult for many agents, John is able to expertly provide a smooth loan process for his military clientele.

John Varughese
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Top-rate intelligent professional

First Capital... Honest. Expert. A Lender You Can Trust.

- Local Lending. Local Decisions. Local People.
- Our focus is 100% on financing the American Dream and the experience of getting there.
- We have been one of the top Purchase Money lenders in California since 1993.
- Our Banker/Broker platform allows the best of all mortgage worlds - price where you want it, and flexibility where you need it.
- Our Personal Privacy Protection program ensures your private information is protected at every stage of the loan process.

YOUR REAL ESTATE PROFESSIONAL

Your real estate professional can help you determine your wants and needs, tastes and lifestyle, and will protect your rights during the home buying process.

> "We partner with the best real estate professionals in the industry"

Congratulations! You are one step closer to owning your own home. Choosing a professional real estate agent is a very wise decision. In using the services of a Real Estate Agent to guide you through the challenging home buying process, you will receive the best service with much less inconvenience and anxiety.

If you do not yet have a REALTOR®, please ask for a list of experts in your desired location(s).

YOUR HOME BUYING TEAM

REAL ESTATE AGENT

Handles the sales contract, inspections, disclosures, and negotiations. Call when you have a question about the property itself or escrow.

Name ______________________________

Phone ______________________________

REAL ESTATE ASSISTANT/TRANSACTION COORDINATOR

Helps the real estate agent move the transaction along. Usually handles the paperwork.

Name ______________________________

Phone ______________________________

ESCROW OFFICER

Handles the fund disbursements, Title search, clearing of Title, final documents, and recording. Call if you have a question about your sign-off appointment, funds-to-close, or Title problems.

Name ______________________________

Phone ______________________________

LOAN OFFICER

Handles your financing. Call if you have a question about rate, term, program type, approval, credit, or funds-to-close.

Name ______________________________

Phone ______________________________

LOAN OFFICER ASSISTANT

Handles all the paperwork needed to complete the transaction. Call if you have a question about the loan submission, paperwork requested, or if you can not reach your Loan Officer.

Name ______________________________

Phone ______________________________

FINDING YOUR NEW HOME

Shopping adventure:

Things to think about when home shopping

Driving by a property isn't enough, and even if you love the layout, structure and design of a home, there are outside factors that should influence your decision to buy.

Some of these things may include:

- Choosing a neighborhood reflective of your own lifestyle.
- Considering the layout of a home (open concept, 2 story, etc)
- Considering the size of the property and whether there is room to expand.
- Choosing a property with adequate privacy.
- Choosing a property with a backyard, trees or fencing.
- Choosing a property that offers features most important to you.
- Whether the property needs improvements (and costs associated)
- Understanding zoning regulations, the housing market, additional costs.

There are other factors to consider outside of the property itself as well, so that you can purchase a home with limited risk involved, including:

- Hiring a home inspection company.
- Financing opportunities, mortgages, and loans.
- How to put in your first offer.
- Setting a closing date that works for you and the seller.
- Moving expenses, hiring a moving company.
- Closing the deal and moving in!

There are many things to keep in mind when buying a home, and if it's your first time purchasing a property, it can become overwhelming. Rest assured, that your real estate agent and loan officer will take care of many of these things, but you want to take a "hands on" approach when evaluating properties and considering your options so that you can get the best home possible.

HOME SHOPPING NOTES

Address: ____________________

Date viewed: ____________________

Asking Price: ____________________

THE HOME	Good	Average	Poor
Square footage			
Number of bedrooms			
Number of baths			
Practicality of floorplan			
Interior walls condition			
Closet/storage space			
Basement			
Fireplace			
Cable TV			
Basement: dampness or odors			
Exterior appearance, condition			
Lawn/yard space			
Fence			
Patio or deck			
Garage			
Energy efficiency			
Screens, storm windows			
Roof: age and condition			
Gutters and downspouts			

THE NEIGHBORHOOD	Good	Average	Poor
Appearance/condition of nearby homes/businesses			
Traffic			
Noise Level			
Safety/Security			
Age mix of inhabitants			
Number of children			
Pet restrictions			

THE NEIGHBORHOOD (Cont.)	Good	Average	Poor
Parking			
Zoning regulations			
Neighborhood restrictions/ covenants			
Fire protection			
Police			
Snow removal			
Garbage service			

SCHOOLS	Good	Average	Poor
Age/condition			
Reputation			
Quality of teachers			
Achievement test scores			
Play areas			
Curriculum			
Class size			
Busing distance			

CONVENIENCE TO:	Good	Average	Poor
Supermarket			
Schools			
Work			
Shopping			
Child care			
Hospitals			
Doctor/dentist			
Recreation/parks			
Restaurants/entertainment			
Church/synagogue			
Airport			
Highways			
Public transportation			

BUYING VS. RENTING

If you think you can't afford to buy a home consider this: The homeownership rate in the U.S. is nearly 69 percent — indicating that homeownership is within reach for more Americans than ever before. In fact, it can be as affordable as renting, and in some regions of the United States, it can be more affordable. To find out, you need to learn about home prices in the area you want to live, calculate what the mortgage would be and compare it to the cost of a similar rental.

While not right for everyone, the advantages to owning a home are evident for many. You can pay the same, or even less, while often building equity (the difference in how much the home is worth over how much you owe on it). In addition, you may be able to save on your federal taxes by deducting the interest paid on your mortgage. Information like this provides a great incentive for many to seriously explore their buying options.

Benefits of Ownership

How can you tell whether owning a home would benefit you? A good way to find out is by considering the ways homeownership can affect your life.

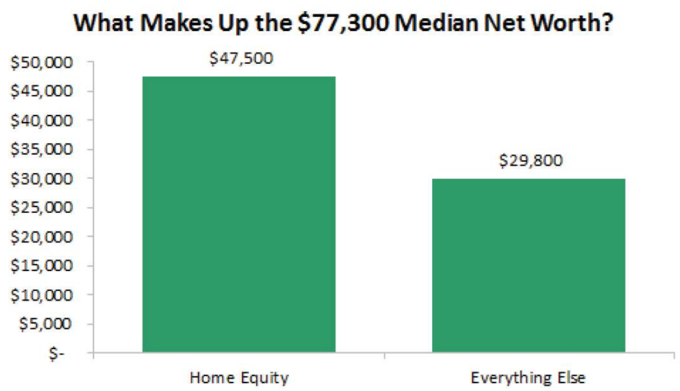
Benefits

- Build equity — your wealth will increase as you gain more home equity
- Gain tax advantages — mortgage interest and property tax is tax deductible as per IRS code
- Stabilize your payments — monthly payments are relatively steady if your loan has a fixed interest rate, while your landlord can increase the rent
- Have a secure place for your family to live — a home provides a permanent place where your family can live and grow, and you can decorate or expand a house the way you like to create your dream home
- Gain a sense of community — homeowners often are more involved in the well-being of their communities; many homeowners work together for better schools and less crime

BUYING VS. RENTING

When the Federal Reserve tallied it up in 2010, the median household had $77,300 socked away in net worth. In other words, when you look at a family that's doing better than 50% of us and worse than 50% of us and you add up all their assets (stocks, bonds, house, cars, IRAs, 401(k)s, gold, equity in private businesses, checking accounts, savings accounts, certificates of deposit, cash under the mattress, etc.) and subtract out all their liabilities (mortgages, student loans, credit card debt, etc.), you end up $77,300 to the good.

How much of that is due to owning a house? Here's a picture:



Source: The Federal Reserve Board's Survey of Consumer Finances for 2010.

It's pretty stunning that for all the hidden costs and arguments about better investments, housing makes up more than 60% ($47,500/$77,300) of the median family's cushion against bankruptcy.

Rent vs. Buy Example

Rent = $3,000 / month [no deduction, net cost = $3,000]

House Pmt =	$3,745 / month*
Deductible	$3,350 / month (assumed amount for interest & property tax)
x tax rate	37.3%**
= tax savings	$1,398 [net cost to buy = $2,347]

*Estimate based on $720,000 purchase price with a $600,000 loan amount at 30 year fixed rate of 4% with 20% down payment.

**For individual taxpayers with roughly $70,000 to $140,000 of taxable income, the tax bracket would be approximately 28% federal, plus 9.3% California, for a combined state tax rate of 37.3%. This is approximately the savings of any deductible amount spent.

Understanding

Credit Scores

WHAT IS A CREDIT BUREAU SCORE?

Credit bureau scoring is a statistical means of assessing how likely a borrower is to pay back a loan. A Credit Bureau Score is based on the data available in the borrower's credit report. The score measures the relative degree of risk a potential borrower represents to the lender or investor. It is not a measure of a borrower's income, assets, or bank account, although those and other factors are still considered by lenders and investors, independent of the score. A Credit Bureau Score does not include any of the following in the score calculation as this would be discrimination by FCRA guidelines: gender, race, age, or ZIP Code.

Fair Isaac Credit Corporation (FICO) Scores range from approximately 300 to 850 points, and are available through the three national credit data repositories:

Equifax	(800) 685-1111
Trans Union	(800) 888-4213
Experian	(800) 509-8495

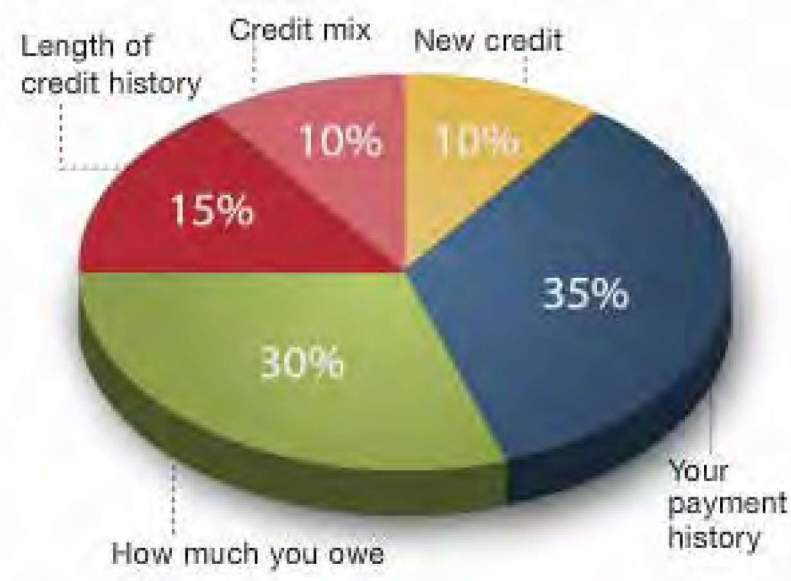
Each bureau calculates its own score, based solely on data within its individual credit file.

A FICO is calculated by a system of scorecards. In developing these scorecards, FICO uses actual credit data on millions of consumers, and applies complex mathematical methods to perform extensive research into credit patterns that forecast credit performance. Each pattern corresponds to a likelihood that a consumer will make his or her loan payments as agreed in the future. The score is based on all the credit-related data in the credit bureau report – not just negative data such as missed mortgage payments or bankruptcies.

CREDIT SCORE CALCULATION

35% Payment History

- The first thing any lender wants to know is whether you've paid past credit accounts on time. This is one of the most important factors in a FICO® Score.
- A few late payments are not an automatic "score-killer." An overall good credit picture can outweigh one or two instances of late credit card payments. However, having no late payments in your credit report doesn't mean you'll get a "perfect score." Your payment history is just one piece of information used in calculating your FICO Score.



30% Total Debt

- Owing money on credit accounts doesn't necessarily mean you're a high-risk borrower with a low FICO® Score. However, when a high percentage of a person's available credit is been used, this can indicate that a person is overextended, and is more likely to make late or missed payments.

15% Length of Credit History

- In general, a longer credit history will increase your FICO® Score. However, even people who haven't been using credit long may have a high FICO Score, depending on how the rest of the credit report looks.

10% New Credit

- Research shows that opening several credit accounts in a short period of time represents a greater risk - especially for people who don't have a long credit history.

10% Types of Credit in Use

- The score will consider your mix of credit cards, retail accounts, installment loans, finance company accounts and mortgage loans.

Your Key to

Types of Mortgages

TYPES OF LOANS AVAILABLE

There are many loan types availalable. Talking to your loan consultant is the best way to determine the right type of loan for your specific needs. The major types are:

FHA Loans

The Federal Housing Administration (FHA), which is part of the U.S. Dept. of Housing and Urban Development (HUD), administers various mortgage loan programs. FHA loans have lower down payment requirements and are easier to qualify than conventional loans.

VA loans

VA loans are guaranteed by the U.S. Dept. of Veterans Affairs. The guarantee allows veterans and service persons to obtain home loans with favorable loan terms, usually without a down payment. In addition, it is easier to qualify for a VA loan than a conventional loan. The U.S. Department of Veterans Affairs does not make loans, it guarantees loans made by lenders. VA determines your eligibility and, if you are qualified, VA will issue you a certificate of eligibility to be used in applying for a VA loan.

Conforming Loans

Conventional loans may be Conforming and Non-Conforming. Conforming loans have terms and guidelines set forth by two quasi government agencies commonly known as Fannie Mae and Freddie Mac. These two stockholder-owned corporations purchase mortgage loans complying with the guidelines from mortgage lending institutions, then packages the mortgages into securities, and sells the securities to investors. By doing so, Fannie Mae and Freddie Mac provide a continuous flow of affordable funds for home financing that result in the availability of mortgage credit for Americans.

Fannie Mae and Freddie Mac guidelines establish the maximum loan amount, borrower credit and income requirements, down payment, and suitable properties. Fannie Mae and Freddie Mac announces new loan limits every year.

Agency Jumbo Mortgages

These loans also have terms and conditions set forth by Fannie Mae and Freddie Mac, hence their name classification. Agency Jumbo mortgages are originated using higher maximum loan limits that are permitted in high cost areas. These higher loan limits are intended to provide lenders with much-needed liquidity in the highest cost areas of the country, while also lowering mortgage financing costs for borrowers located in these areas.

TYPES OF LOANS AVAILABLE

Jumbo Loans

Loans above the maximum loan amount established by Fannie Mae and Freddie Mac are known as "Jumbo" loans. Because jumbo loans are bought and sold on a much smaller scale, they often have a little higher interest rate than conforming, but the spread between the two varies with the economy.

State and Local Housing Programs

Many states, counties and cities provide low to moderate housing finance programs, down payment assistance programs, or programs tailored specifically for a first time buyer. These programs are typically more lenient on the qualification guidelines and often designed with lower upfront fees. Also, there are often loan assistance programs offered at the local or state level such as MCC (Mortgage Credit Certificate) which allows you a tax credit for part of your interest payment. Most of these programs are fixed rate mortgages and have interest rates lower than the current market.

Fixed vs. Adjustable Rates

Fixed Rate Mortgages

With fixed rate mortgage (FRM) loans the interest rate and your mortgage monthly payments remain fixed for the period of the loan. Fixed-rate mortgages are available for 30, 25, 20, 15 years and 10 years. Generally, the shorter the term of a loan, the lower the interest rate is.

The most popular mortgage terms are 30 and 15 years. With the traditional 30-year fixed rate mortgage your monthly payments are lower than they would be on a shorter term loan.

Adjustable Rate Mortgages

Variable or adjustable loans are loans whose interest rate, and accordingly monthly payments, fluctuate over the period of the loan. With this type of mortgage, periodic adjustments based on changes in a defined index are made to the interest rate. The index for your particular loan is established at the time of application.

Intermediate ARMs are referred to as 3/1, 5/1, 7/1 & 10/1 loans. The common characteristics of these loans are: each has a fixed rate for a specific period of time; each has a term of thirty years; and, at the end of the fixed rate term, each adjusts to an adjustable rate mortgage for the remainder of the thirty year term. In other words, a 3/1 ARM would have a fixed rate for three years and an adjustable rate for 27 years, a 5/1 would have a fixed rate for five years and an adjustable rate for 25 years, and so on.

ADJUSTABLE RATE INDICES

We are often asked what the best ARM is and what the best index is. Unfortunately our answers vary with the clients. The best ARM and index for one person may not be the same for another. Here are some general guidelines to help you with your decision:

11TH DISTRICT COST OF FUNDS - COFI INDEX

This index reflects the weighted-average interest rate paid by the 11th Federal Home Loan Bank District savings institutions for savings and checking accounts, advances from the FHLB, and other sources of funds. The 11th District represents the savings institutions (savings & loan associations and savings banks) in Arizona, California, and Nevada. Since the largest part of the Cost of Funds index is interest paid on savings accounts, this index lags market interest rates in both up trend and downtrend movements. As a result, ARMs tied to this index rise (and fall) more slowly than rates in general, which is good for you if rates are rising, but not good for you if rates are falling.

TREASURY AVERAGE

The Monthly Treasury Average is a relatively new ARM index. This index is the 12-month average of monthly yields of U.S. Treasury Securities adjusted to a constant maturity of 1 year. It is calculated by averaging the previous 12 monthly values of the 1-Year CMT. Because this index is an annual average, it is steadier than the 1-Year CMT index. The MTA index generally fluctuates slightly more than the 11th District COFI, although its movements track each other very closely.

1-YEAR TREASURY SECURITY

The Treasury Security reflects the actual yield to investors, therefore it is almost always higher than the T-Bills. The Federal Reserve follows the resale of all treasury notes, bills, and bonds that are handled by the major brokerages and computes a "yield curve." The Treasury Securities are then adjusted to a constant maturity of one year and from there to a "weekly yield curve" which is where the index figure is derived. Depending upon market conditions, this index can be very volatile.

6-MONTH CD

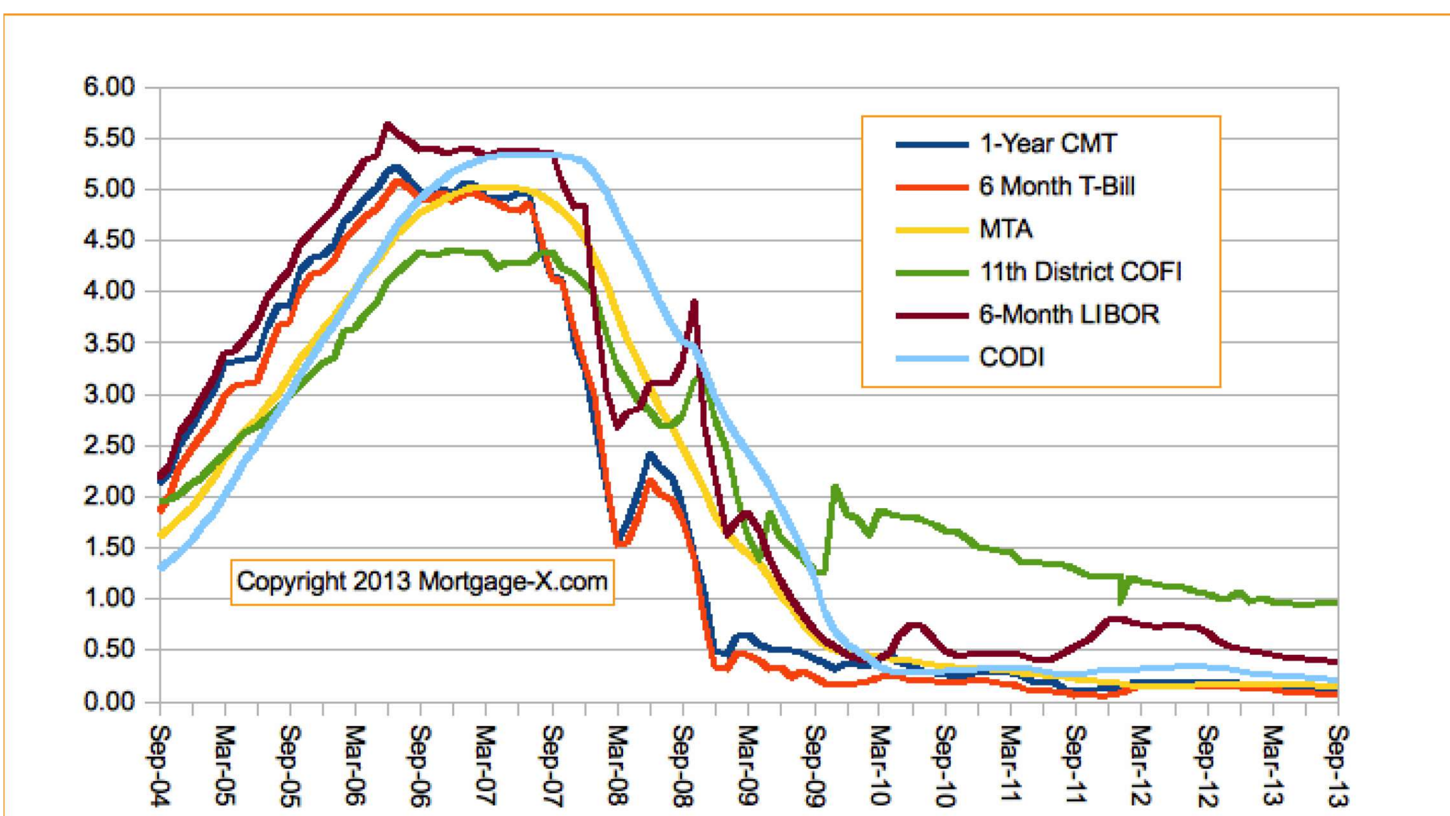
These indexes are averages of the secondary market interest rates on nationally traded Certificates of Deposit. The Certificates of Deposit, also known as CDs, are usually issued by banks and other financial institutions. They pay a fixed rate of interest for a specific period of time. The Certificates of Deposit of various maturities, including 1-Month, 3-Month, 6-Month, and 1-Year, are used as ARM indexes. The CD indexes are very volatile and generally considered to react quickly to change in the market, which is good for you if rates are falling, but not good for you if rates are rising. This index is seldom used by lenders.

LIBOR - LONDON INTERBANK OFFERED RATE

London Inter Bank Offering Rate (LIBOR) is an average of the interest rate on dollar-denominated deposits, also known as Eurodollars, traded between banks in London. The Eurodollar market is a major component of the International financial market. London is the center of the Euro market in terms of volume. The LIBOR is an international index that follows the world economic condition. It allows international investors to match their cost of lending to their cost of funds. The LIBOR compares more closely to the 1-Year CMT index and is more open to quick and wide fluctuations than the COFI rate.

PRIME RATE

The Prime Rate is the interest rate charged by banks for short-term loans to their most credit-worthy customers whose credit standing is so high that little risk to the lender is involved. Only a small percentage of customers qualify for the prime rate (which tends to be the lowest going interest rate, and thus serves as a basis for other higher risk loans). The prime rate is almost always the same amongst major banks. Adjustments to the prime rate are made by banks at the same time; although the prime rate does not adjust on any regular basis. The prime rate will usually rise and fall in conjunction with increases or decreases in the Federal Funds rate as determined by the Federal Reserve's Board of Governors.



What's in a Mortgage Payment?

MORTGAGE PAYMENTS

The primary factors determining your monthly mortgage payments are the size and term of the loan. 'Size' refers to the amount of money borrowed and 'term' refers to the length of time within which the loan must be fully paid back. There is an inverse relationship between the term of the loan and the size of the monthly payment: longer terms result in smaller monthly payments. For this reason, 30-year mortgages are the most popular mortgage type.

PITI: The Components of a Mortgage Payment

Once the size and term of the loan have been determined, there are four factors that play a role in the calculation of a mortgage payment. Those four items are principal, interest, taxes and insurance (PITI). As we look at these four factors, we'll consider a $100,000 mortgage as an example.

Principal

A portion of each mortgage payment is dedicated to repayment of the principal. Loans are structured so that the amount of principal returned to the borrower starts out small and increases with each mortgage payment. While the mortgage payments in the first years consist primarily of interest payments, the payments in the final years consist primarily of principal repayment. For our $100,000 mortgage, the principal is $100,000.

Interest

Interest is the lender's reward for taking a risk and loaning money to a borrower. The interest rate on a mortgage has a direct impact on the size of a mortgage payment - higher interest rates mean higher mortgage payments. So, for most home buyers, higher interest rates reduce the amount of money they can borrow, and lower interest rates increase it. If the interest rate on our $100,000 mortgage is 6%, the combined principal and interest monthly payment on a 30-year mortgage would be something like $599.55 ($500 interest + $99.55 principal). The same loan with a 9% interest rate results in a monthly payment of $804.62. (To get an idea of what monthly payment results from a particular principal and interest rate, see the payment calculator).

Taxes

Real estate taxes are assessed by governmental agencies and used to fund various public services such as school construction, police, and fire department services. Taxes are calculated by the government on a per-year basis, but individuals can pay these taxes as part of their monthly payments. The amount that is due in taxes is divided by the total number of monthly mortgage payments in a given year. The lender collects the payments and holds them in escrow until the taxes are due to be paid.

Insurance
There are two types of insurance coverage which may be included in a mortgage payment. Like real-estate taxes, insurance payments are made with each mortgage payment and held in escrow until the bill is due. The first type of insurance is property insurance, which protects the home and its contents from fire, theft and other disasters.

The second type of insurance is PMI (Private Mortgage Insurance), which is mandatory for homeowners who purchase a home with a down payment of less than 20% of the home's cost. This type of insurance protects the lender in the event the borrower is unable to repay the loan. Because it minimizes the default risk on the loan, PMI also enables lenders to sell the loan to investors, who in turn can have some assurance that their debt investment will be paid back to them. PMI coverage can be dropped once the borrower has at least 20% equity in the home.

While principal, interest, taxes and insurance comprise a typical mortgage, some borrowers opt for mortgages that do not include taxes or insurance as part of the monthly payment. With this type of loan, borrowers have a lower monthly payment, but must pay the taxes and insurance on their own.

Components of a Mortgage Payment

	Principal & Interest	P & I
	Taxes	T
+	Insurance*	I
=		P I T I

*Insurance = Homeowner's Insurance, Mortgage Insurance

****Formula for Taxes:**
Purchase Price x 1.25% ÷ 12 = monthly property taxes
****Formula for Homeowners Insurance:**
Loan Amount x .35% ÷ 12 = monthly homeowners insurance
** These figures represent averages and may be different for your mortgage or property. Speak to your loan officer for details on your mortgage payment figures.

Your Guide to The Loan Process

BUYER’S PROCESS

THE LOAN PROCESS

The Application (can be completed online, in person or over the phone)
The key to the loan process going smoothly is a thorough initial application interview. At this time, your Loan Officer obtains information and documentation pertinent for receiving loan approval. The Loan Officer will order the initial credit report and input all application information into the company loan origination system.

Good Faith Estimate and Truth-in-Lending Disclosures
Princeton Capital is required by the government to supply you with a Good Faith Estimate and Truth-in-Lending Disclosure within 3 days of completing an application. An application consists of the Loan Officer receiving, at a minimum, the borrower name(s), social security #(s), loan amount, appraised value, property address and monthly income figure(s).

Appraisal and Verifications
Upon review of the supporting documentation collected during the initial application interview, the loan processor will order any additional required verifications (including employment, asset, mortgage, landlord rating, etc). When in contract, the loan officer and loan processor will also order the property appraisal.

Loan Submission
Once all necessary supporting documentation is received and reviewed, the loan processor submits the loan package to the underwriter for a conditional approval.

Loan Approval
Loan approval generally takes anywhere from 1 to 15 days depending on the complexity of the loan application. All parties are notified of the approval, and of any loan conditions that must be received before the loan can close.

Condition Collection and Review
The loan officer, loan processor and borrower(s) will work together to obtain all items required for final loan approval. Once all items are received they are submitted back to the underwriter for final review and approval.

Documents are drawn
Within 1 to 3 days of receiving final loan approval, the loan documents (including the note and deed of trust) are completed and sent to the escrow company. The escrow officer coordinates the signing of loan documents with the borrower(s). At this time, the borrower(s) is/are provided with final figures required to close escrow.

THE LOAN PROCESS

Funding

Once all parties have signed the loan documents, documents are returned to the lender for review of the package. If all forms have been properly executed, the funds are transferred by wire.

Recording

When the escrow company receives funds from the lender, they make the lender's security for the loan a matter of public record. The escrow company does this by recording the deed of trust at the County Recorder's Office. All proceeds are distributed to the involved parties, and escrow is officially closed. You get the keys to your home!

WHAT TO BRING
to Your Loan Appointment

- Most recent pay check stubs covering one month
- W-2's and/or 1099's for the past 2 years
- Personal tax returns for the past 2 years
- Self-employed applicants need:
  - Last 2 years corporate tax returns
  - Most recent financial statement
  - Signed P&L for most recent quarter
  - Copy of business license
- Verification and explanation of: commission income, overtime income, bonus income, and other income
- Complete bank statement for all checking and savings accounts for the past two months
- Most recent statements showing number and market value of all securities, 401K and other retirement documents
- Final divorce documents (if applicable)
- Explanation letter for: delinquent payments, judgments, bankruptcy, credit inquiries, or foreclosure
- Award letter and most recent check from Social Security, retirement or pension income
- Current mortgage statements for real estate you currently own (lease agreements for rental property as well)
- Copy of front and back of alien registration card of H1 Visa (if not a U.S. citizen)
- Copy of driver's license
- Copy of school diploma/transcripts (if employed for less than 2 years due to being in school)

Your Loan Officer will inform you of other necessary items pertaining to your individual situation.
Plan on spending about 30-60 minutes together during the first visit.

FAST FACTS PREQUAL

Borrower # 1 ______	**Borrower # 2** ______
Social Security ______	**Social Security** ______
Phone # ______	**Phone #** ______
Address ______ Yrs ______	**Address** ______ Yrs ______

Time Homebuyer? ☐ Yes ☐ No *Do you currently own a* ☐ Yes ☐ No

Plan to Owner-Occupy? ☐ Yes ☐ No *Investment Property(s)?* ☐ Yes ☐ No

GROSS MONTHLY INCOME **(Overtime, bonus, and commission must be averages over last 24 months)**

Please list monthly income to best of your ability.

Borrower # 1 Years on Job ______ Base Salary ______

Overtime, Bonus, or Commission Year ______ Year ______ ______

Borrower # 2 Years on Job ______ Base Salary ______

Overtime, Bonus, or Commission Year ______ Year ______ ______

Rental Income **(Monthly rent x 75% less monthly PITI)** ______

Other **(Interest, dividend, or support income)** ______

TOTAL $ ______

MONTHLY DEBTS AND OBLIGATIONS

List any and all debts – use more room if needed:	**Payment**	**Balance**
Existing Mortgage Payment **(Principle, Interest, Taxes & Insurance)**	______	______
Car Loan	______	______
Installment Loans	______	______
Credit Cards	______	______
Revolving Credit	______	______
Support Payments	______	______
Other Debts ______	______	______
TOTAL	$ ______	$ ______

CASH, SAVINGS, AND ASSETS **(List all funds, including potential gift funds**

Cash and Savings	______
Stocks, Bonds, &	______
IRA's, 401K, & Retirement	______
Gift (From) ______	______
Proceeds of (Address) ______	______
Other ______	______
TOTAL	$ ______

REALTOR ______ PHONE ______ FAX ______

We hereby authorize RMR to facilitate our request to run a credit report history. We have not applied for residential financing and no commitment has been extended to us as evidenced by our signatures below. Requester affirms the fact that RMR has no relation to the information contained in the credit report. The signature(s) below acknowledge the receipt and certification of this notice with regard to obtaining credit history.

______ ______

Signature Date

UNDERWRITING REVIEWS YOUR LOAN

When your loan package is submitted for approval, an underwriter will review the following information to determine whether or not the loan should be approved:

CREDIT - It is important that credit has been established with a good payment history. Outstanding collection accounts, judgments, or liens must be paid through escrow. The credit report will also list a credit score – a mathematical calculation of your overall credit rating.

JOB STABILITY - A consistent work history with the same company is ideal; however if changes have been made for advancement, it is acceptable. Schooling completed in preparation for a specific vocation is considered to be a part of the work history.

INCOME AND RATIOS - Your gross monthly income (before taxes) is computed. Bonuses, overtime, part-time, or self-employment income must be likely to continue and is averaged over the last 2 years. The principal, interest, taxes, and insurance (P.I.T.I.) on the new loan (plus HOA dues & Mortgage Insurance, if applicable) is divided by the gross monthly income to get the "top" ratio. P.I.T.I. and all debts are added together and divided by the income to get the "bottom" ratio. Ratios are ideally 33 over 38 for an 80% loan, and lower for 90%, 95%, or 97% loans. If other components are strong, higher ratios may be permitted.

P.I.T.I ÷ GROSS MONTHLY INCOME = TOP RATIO

TOTAL DEBT ÷ GROSS MONTHLY INCOME = BOTTOM RATIO

DOWN PAYMENT, CLOSING COSTS, AND CASH RESERVES - To be considered "your money", funds must have been verified as having been yours for 3 months. A minimum of a 5% down payment MUST be from your own funds; however, the remainder of the down payment, closing costs, and the 2 to 3 months' cash reserves may be gifted by a relative who provides a letter and bank statement showing the ability to give.

PROPERTY - The property being purchased is the security for the loan. The lender will require an appraisal by a certified fee appraiser to ensure that there is sufficient collateral. The underwriter will review the appraisal to verify the marketability, condition, and value of your home. The lender will also review the title report and require title insurance on the property for your protection as well as theirs.

Understanding
Title and Escrow

TITLE AND ESCROW

What is title insurance?

Title insurance is an insurance policy that protects property owners and their lenders against losses related to the property's title or ownership. Title insurance minimizes the risk of acquiring property whose legal history is unknown to the purchaser.

Title insurance is issued for a one-time fee, called a premium, usually due at the time of closing or settling a real estate transaction, and is based on the price of the property. Title insurance coverage lasts as long as the insured or their heirs hold title to the property.

What is an Escrow?

An escrow is a neutral third party who holds the funds until conditions are met, then disperses them as instructed by the parties.

Opening the Escrow

After the buyer and seller agree to the terms of a sale, the transaction goes into escrow, which can take several weeks (30-45 days) to reach closing. Escrow can be opened by the buyer or the seller's real estate agent.

What the Escrow Company Does

When the escrow is opened, an order for a preliminary report/commitment is placed with the title company, which shows ownership of a parcel of land and recorded matters that are relative to the property. Then a plan is set for the necessary action and documents required, such as demands for satisfaction of liens, instructions for recording documents and other requirements of the new lender.

Escrow Instructions and Your Closing

The escrow officer or real estate agent will contact both the buyer and seller for an appointment to sign escrow instructions and supporting documents. Bring a legal form of identification with you, such as a current driver's license, passport or ID card (military or state). At this time you will normally be advised of the amount of money you will need to deposit and/or receive depending on if you are the buyer or seller.

When the instructions from all parties have been executed, escrow is ready to close. At the time all required funds have been receipted into escrow, the documents are recorded, funds disbursed and the policy of the title insurance is issued.

If you are the buyer, you will be informed about the disbursement of keys by the real estate agent or seller. If you are the seller, upon receipt of the proper documentation and releases, the escrow officer will disburse the reserved funds, including the seller's payment.

PRELIMINARY TITLE REPORT

This explanation may help you understand the contents of the preliminary title report you receive from the title company.

Part 1

This is the information submitted to our title department by the escrow officer. It contains the basic information given to us by the buyer or real estate agent such as the legal description of the property, sale price, loan amount, lender, name and marital status of buyer and seller.

Part 2

Part 2 contains items that are tied to the subject property. These include Covenants, Conditions and Restrictions (CC&Rs), easements, homeowner's association by-laws, leases and other items which will remain of record and transfer with the property. They are referred to as "exceptions" because the buyer will receive a clear title "ex-cept" the buyer's rights will be subject to conditions in the CC&Rs, recorded easements, etc.

Additional Items

These are items that the title company needs to delete and/or record in order to provide a clear title to the property. Items that need to be addressed may include:

- **Current property-tax status,**
- **Any assessments that are owed such as those for a homeowners association,**
- **Any encumbrances (or liens) on the property.**

Sometimes items show up against a property because another person has a name similar to an involved party. This is one of the reasons that you are asked to fill out an Identity Statement; to determine if items may be inaccurate and can be deleted.

TITLE INSURANCE POLICIES

An Owner's Title Insurance Policy is your best protection against potential defects that can remain hidden despite the most thorough search of public records. A Lender's Title Insurance Policy also exists to protect your mortgage lender's interest.

You don't want a problem that occurred long before you bought your property to deprive you of ownership or your right to use or dispose of it.

And you don't want to pay the potentially high cost of defending your property rights in court.

For a one-time premium, the title company agrees to reimburse you for covered losses suffered due to undetected defects that existed prior to the isue date of your Title Policy, up to the amount of the policy.

Unless specifically excluded, your Title Insurance Policy also provides for legal defense costs.

Your Title Insurance Policy protects you against potential defects such as:

1. Forged deeds, mortgages, satisfactions, or releases
2. Deed by person who is mentally incompetent
3. Deed by person in a foreign country, vulnerable to challenge as incompetent, unauthorized, or defective under foreign laws
4. Deed challenged as being given under fraud, undue influence or duress
5. Deed signed by mistake (grantor did not know what was signed)
6. Deed executed under falsified power of attorney
7. Undisclosed divorce of one who conveys as sole heir of a deceased former spouse
8. Deed affecting property of deceased person, not joining all heirs
9. Deed recorded but not properly indexed so as to be locatable in the land records
10. Undisclosed but recorded federal or state tax lien
11. Undisclosed but recorded judgment or spousal/child support lien
12. Undisclosed but recorded prior mortgage
13. Undisclosed but recorded boundary, party wall, or setback agreements
14. Misinterpretation of wills, deeds, and other instruments
15. Discovery of later will after probate of first will
16. Erroneous or inadequate legal descriptions
17. Deed to land without a right of access to a public street or road
18. Forged notarization or witness acknowledgment
19. Deed not properly recorded (wrong county, missing pages or other contents, or without required payment)
20. Deed to a purchaser from one who has previously sold or leased the same land to a third party under an unrecorded contract, where the third party is in possession of the premises

THE BUYER SHOULD KNOW

IDENTITY STATEMENT

You may be asked to fill out an Identity Statement that enables the title company to distinguish you from others with identical names during their search of county records. It also provides basic information that will be useful for your escrow officer.

RESPONSE TO SELLER'S NOTICES

If directed by the contract, you may receive the following items, among others, which require a response from you.

- Seller's Property Disclosure Statement listing any existing problems know to the seller.
- Information pertaining to the Home Owners Association (HOA) or Planned Unit Development (PUD), such as Covenants, Conditions and Restrictions (CC&Rs), if applicable.
- Flood Hazard Disclosure if the property is in a flood area.
- Independent inspections, such as those for termites, septic tank, etc.

GOOD FUNDS

Foreign Checks. The title company does not accept foreign checks into escrow. This includes foreign checks paid through a US Bank. All money coming from outside the United States must be sent via wire transfer.

Third Party Checks. The title company does not accept any third party checks. These include any check drawn from a non-financial institution account or payable to a payee other than the title company and subsequently endorsed to them.

All funds deposited into escrow should be in the form of wires or cashier's checks. Any funds deposited to close escrow should be in the form of a wire to prevent any delays in closing. Cash is not acceptable for safety and security reasons.

WAYS TO TAKE TITLE IN CALIFORNIA

How To Hold Title?

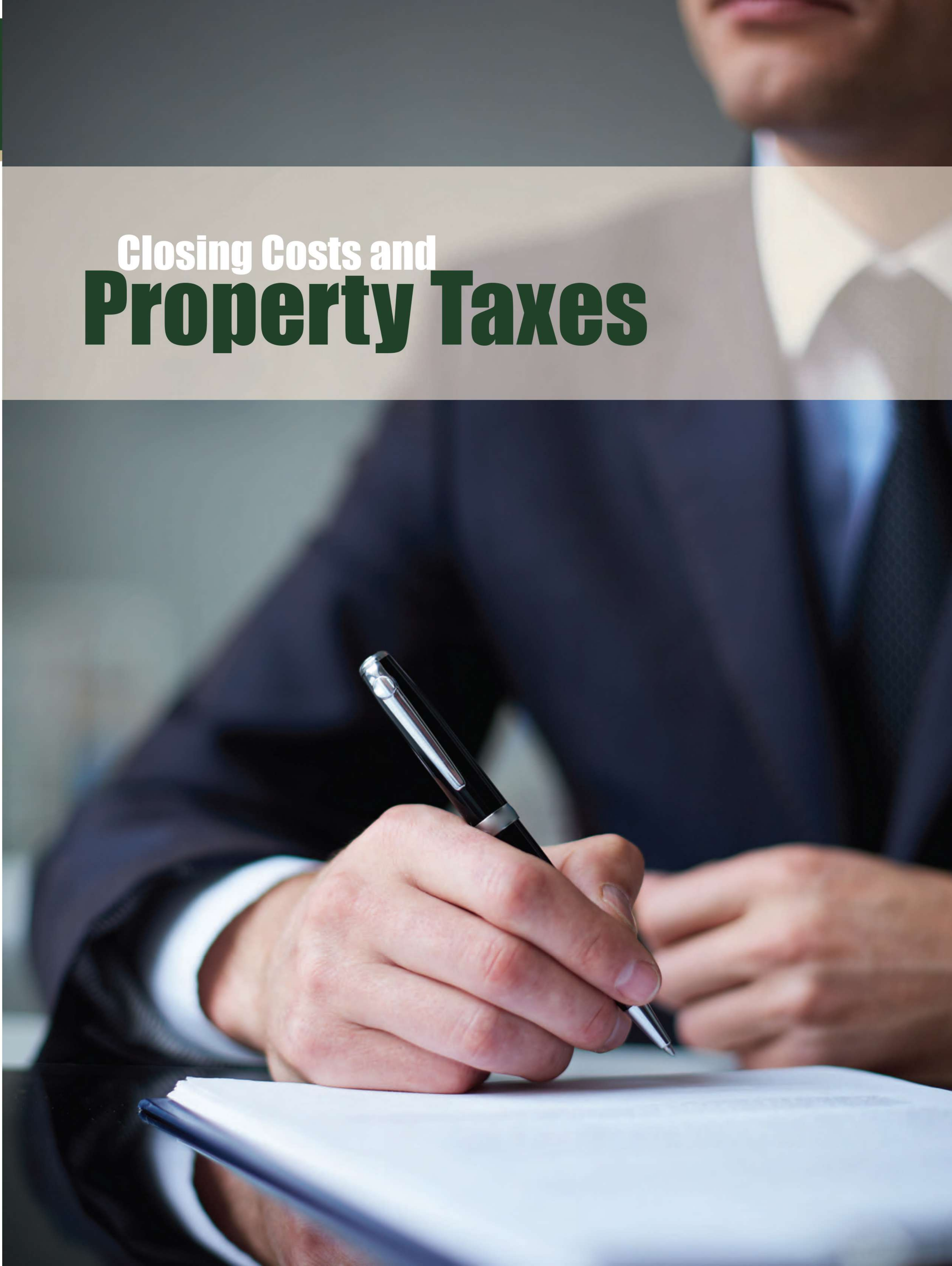
You should inform your escrow officer and lender as soon as possible of how you wish to hold title to your home and exactly how your name(s) will appear on all documents. This allows your lender and title company to prepare all documents correctly. (Changes later, such as adding or deleting an initial in your name, can delay your closing.) You may wish to consult an attorney, accountant or other professional before deciding how to hold title.

	TENANCY IN COMMON	JOINT TENANCY	COMMUNITY PROPERTY	COMMUNITY PROPERTY with Right of Survivorship
Parties	Two or more persons[1]	Two or more natural persons	Spouses or domestic partners[2]	Spouses or domestic partners[2]
Division	Ownership can be divided into any number of interests, equal or unequal	Ownership interests must be equal	Ownership interests must be equal	Ownership interests must be equal
Creation	One or more conveyances (law presumes interests are equal if not otherwise specified)	Single conveyances (creating identical interests); vesting must specify joint tenancy	Presumption from marriage or domestic partnership or can be designated in deed	Single conveyance and spouses or domestic partners must indicate consent which can be on deed
Possession and control	Equal	Equal	Equal	Equal
Transferability	Each co-owner may transfer or mortgage their interest separately	Each co-owner may transfer his/her interest separately but tenancy in common results	Both spouses or domestic partners must consent to transfer or mortgage	Both spouses or domestic partners must consent to transfer or mortgage
Liens against one owner	Unless married or domestic partners, co-owner's interest not subject to liens of other debtor/owner but forced sale can occur	Co-owner's interest not subject to liens of other debtor/owner but forced sale can occur if prior to co-owner's/debtor's death	Entire property may be subject to forced sale to satisfy debt of either spouse or domestic partner	Entire property subject to forced sale to satisfy debt of either spouse or domestic partner
Death of co-owner	Decedent's interest passes to his/her devisees or heirs by will or intestacy	Decedent's interest automatically passes to surviving joint tentant ("Right of Survivorship")	Decedent's 1/2 interest passes to surviving spouse or domestic partner unless otherwise devised by will	Decedent's 1/2 interest automatically passes to surviving spouse or domestic partnerdue to right of survivorship
Possible advantages/ disadvantages	Co-owners interests may be separately transferable[2]	Right of Survivorship (avoids probate); may have tax disadvantages for spouses	Qualified survivorship rights; mutual consent required for transfer; surviving spouse or domestic partner may have tax advantage[2]	Right of survivorship; mutual consent required for transfer; surviving spouse or domestic partner may have tax advantage

1. "Persons" includes natural person as well as validly formed corporation, limited partnership, limited liability company or general partnership. Trust property is vested in the trustee (usually a natural person or corporation).
2. Transfers by spouses/domestic partners may require a quitclaim deed from the other spouse/partner for title insurance purposes.

THIS IS PROVIDED FOR GENERAL INFORMATION ONLY. FOR SPECIFIC QUESTIONS OR FINANCIAL, TAX OR ESTATE PLANNING GUIDANCE, WE SUGGEST YOU CONTACT AN ATTORNEY OR CERTIFIED PUBLIC ACCOUNTANT.

Closing Costs and Property Taxes



CLOSING COSTS

The buyers and sellers will pay "closing" or "settlement" costs. These costs are an accumulation of separate charges paid to different entities for the professional services associated with the buying and selling of property.

Some closing costs might include real estate commissions, appraisal fees, loan fees, escrow charges, advance payments like property taxes (city and county), hazard insurance, title insurance, pest inspections, etc.

Keep in mind that your closing funds should be in the form of a cashier's check made payable to the title company or escrow office in the amount requested, or by wired funds. A personal or out-of-state check could delay your closing because of clearance of such checks.

Examples of Additional Closing Costs:

- Title insurance premiums
- Escrow and notary fees
- Document preparation fee
- Recording charges for all documents in buyer's name
- Interest on new loan from date of funding to 30 days prior to first payment
- Inspection fees
- All new loan charges
- Assumption charges, if applicable
- Homeowners Association transfer fees
- Home warranty (according to contract)
- City transfer tax
- Real estate commission
- Fire Insurance premium
- Payoff of loans in seller's name
- Interest accrued to lender
- Tax preparation fee
- Any bonds or assessments
- Any unpaid homeowner dues
- Documentary transfer tax

SOUTHERN CA CLOSING COSTS

County	Escrow Charges	Title Fees (owner's policy)	County transfer Tax Amount per $1,000	City Transfer Tax Amount per $1,000
Kern	Buyer/Seller (50% @)	Seller Pays	Seller Pays - $1.10	None
Imperial	Buyer/Seller (50% @)	Buyer Pays	Seller Pays - $1.10	None
Los Angeles	Buyer/Seller (50% @)	Seller Pays	Seller Pays - $1.10	Culver City - $4.50 Los Angeles - $4.50 Pomona - $2.20 Redondo Beach - $2.20 Santa Monica - $3.00
Orange	Buyer/Seller (50% @)	Seller Pays	Seller Pays - $1.10	None
Riverside	Buyer/Seller (50% @)	Seller Pays	Seller Pays - $1.10	Riverside - $2.20
San Bernardino	Buyer/Seller (50% @)	Seller Pays	Seller Pays - $1.10	None
San Diego	Buyer/Seller (50% @)	Seller Pays	Seller Pays - $1.10	None
San Luis Obispo	Buyer/Seller (50% @)	Seller Pays	Seller Pays - $1.10	None
Santa Barbara	Buyer/Seller (50% @)	Seller Pays	Seller Pays - $1.10	None
Ventura	Buyer/Seller (50% @)	Seller Pays	Seller Pays - $1.10	None

Closing Costs are allocated between buyer and seller on the basis of tradition, but are subject to negotiation in the sale of the property.

PROPERTY TAXES

City Transfer Tax: Tax paid to the local government as a percentage of the property's value. The amount of the tax is usually based on a percentage of the property's selling price, but the exact amount is determined by the city where the property is located.

County Transfer Tax: Tax paid to the co unty or local government as a percentage of the property's value. The amount of the tax is usually based on a percentage of the property's selling price, but the exact amount is determined by the county where the property is located.

Mello-Roos (California Only): It is possible that the property you are buying is in a "Mello-Roos District" and that a special tax will apply. Mello-Roos is the common name for the 1982 Community Facilities District Act. This Act authorizes local governments and developers to create Community Facilities Districts ("CFDs") for the purpose of selling tax-exempt bonds to fund public improvements (such as streets, water, sewage and drainage, electricity, infrastructure, schools, parks and police protection). Property owners that participate in a CFD pay a special tax to repay the bonds. The Mello-Roos tax stays in effect until the bonds are paid off. Sometimes after the bonds are paid off, a CFD will continue to charge a reduced fee to maintain the improvements. This tax is typically included in the annual county property tax bill, and is subject to the same penalties that apply to regular property taxes. If the Mello-Roos tax is not paid, the district may exercise its legal right to reclose and sell the property.

Under Proposition 13, Mello-Roos taxes are not based on the value of the property. Instead, they are apportioned by taking into account property characteristics (e.g., use of the property, square footage of the structure, and lot size). The District submits the tax charges to the County, who adds them to your annual property tax bill. Charges for this tax vary, but they do not exceed the maximum amount specified when the CFD was created. When there is a purchase of a house in a subdivision, the maximum of the tax will be specified in the public report.

Supplemental Tax (applicable in select States): In California, when there is a change in ownership of real property or when new construction is completed, the County Assessor will appraise the property changing ownership, or the new construction at its full cash value as of the date the change in ownership occurs or the new construction is completed. The appraised value then becomes the new base year value for the property.

There may be one of two supplemental assessments made depending on the date when the change in ownership takes place or when the new construction is completed.

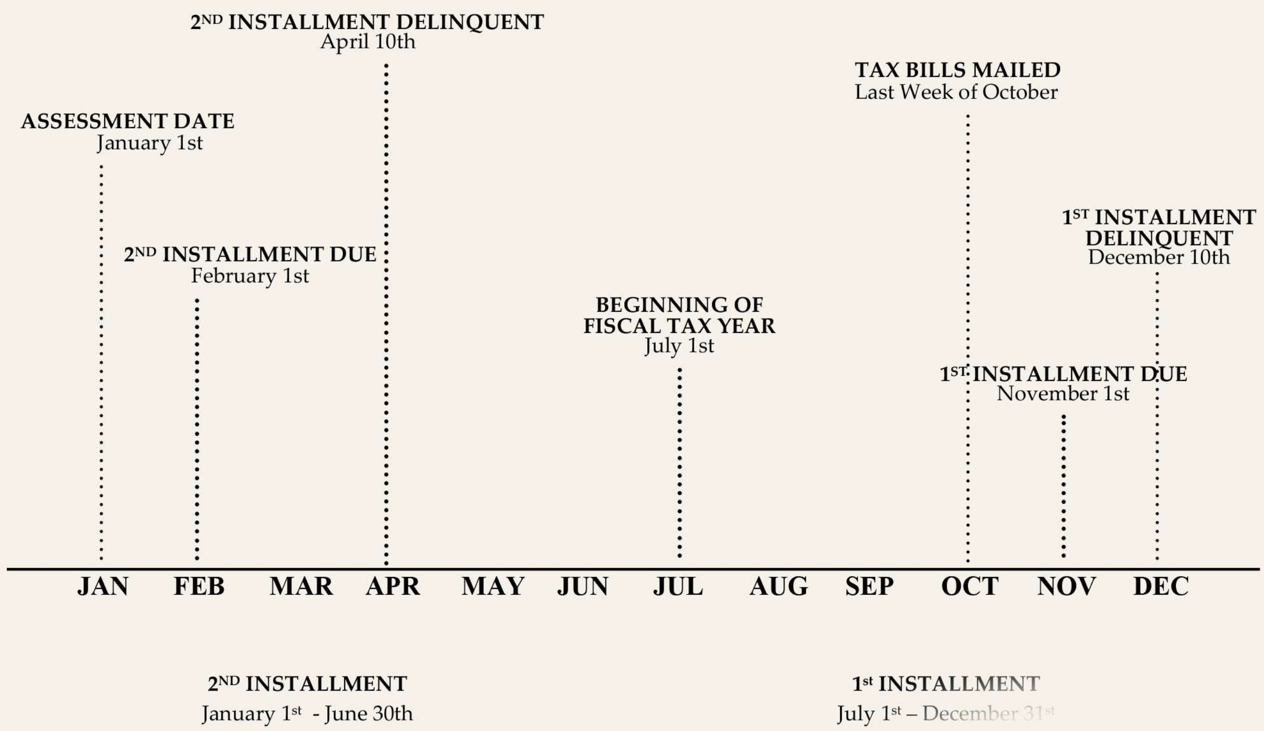
PROPERTY TAXES

If the change in ownership occurs, or the new construction is completed after January 1, but before May 31, there will be two supplemental assessments. The first assessment is the difference between the new base year value and the taxable value on the current roll. The second assessment will vary depending on the triggering event.

For new construction, the second assessment is the value change due to the new construction. For change in ownership of a full ownership interest, the second assessment is the difference between the new base year value and the taxable value to be enrolled on the roll being prepared. For a change of a partial ownership interest, the second assessment is the difference between the total of the new base year value for the interest conveyed, plus the taxable value of the rest of the property on the roll being prepared, and the taxable value of the entire property on the roll being prepared.

If the change in ownership occurs, or the new construction is completed on or after June 1, but before the following January 1, there will be one supplemental assessment made for the difference between the new base year value and the taxable value on the current roll.

Tax Calendar



SUPPLEMENTAL TAXES Q&A

Supplemental taxes have been with us since July of 1983, but you and your neighbors still may not know what they are, what they do, and how they affect you and your property.

To help you better understand this confusing subject, the California Land Title Association has answered some of the most frequently asked questions about supplemental real property taxes.

Q. When did this tax come into effect?
A. The Supplemental Real Property Tax Law was signed by the Governor in July of 1983 and is part of an ambitious drive to aid California's schools. This property tax revision is expected to produce over $300 million per year in revenue for schools.

Q. When and how will I be billed?
A. "When" is not easy to predict. You could be billed in as few as 3 weeks, or it could take over 6 months. "When" will depend on the individual county and the workload of the County Assessor, the County Controller/Auditor and the County Tax Collector.

The assessor will appraise your property and advise you of the new supplemental assessment amount. At that time you will have the opportunity to discuss your valuation, apply for a Homeowner's Exemption and be informed of your right to file an Assessment Appeal. The County will then calculate the amount of the supplemental tax and the tax collector will mail you a supplemental tax bill. The supplemental tax bill will identify, among other things, the following information: the amount of the supplemental tax and the date on which the taxes will become delinquent.

Q. Can I pay my supplemental tax bill in installments?
A. All supplemental taxes on the secured roll are payable in two equal installments. The taxes are due on the date the bill is mailed and are delinquent on specified dates depending on the month the bill is mailed as follows:

1. If the bill is mailed between July and October, the 1st installment shall become delinquent on December 10 of the same year. The 2nd installment shall become delinquent on April 10 of the next year.
2. If the bill is mailed between November and June, the 1st installment shall become delinquent on the last day of the month following the month in which the bill is mailed. The 2nd installment shall become delinquent on the last day of the fourth calendar month following the date the 1st installment is delinquent.

Q. How will the amount of my bill be determined?
A. There is a formula used by the County to determine your tax bill. The total supplemental assessment will be prorated based on the number of months remaining until the end of the tax year, June 30th.

Q. Will my taxes be prorated in escrow?
A. No, unlike your ordinary annual taxes the supplemental tax is a one time tax which dates from the date you take ownership of your property or complete the construction of the tax year (June 30th). The obligation for this tax is entirely that of the property owner.

TAX IMPOUND SCHEDULE

Closing Month	1st Payment	Pay 1st Installment	Pay 2nd Installment	# Months to be Impounded
January	March	--	Yes	2
February	April	--	Yes	3
March	May	--	Yes	4
April	June	--	Yes	5
May	July	--	--	6
June	August	--	--	7
July	September	--	--	8
August	October	--	--	9
September	November	--	--	10
October	December	Yes	--	5
November	January	Yes	--	6
December	February	Yes	--	7

Note: 2 month cushion is required.
Hazard/Flood Insurance: Collect 3 months for purchase transaction or, if a refinance, collect a sufficient amount to pay the next bill. On a refinance, there must be a minimum of 90 days remaining on the term of the policy, or a full year will be required.

Commonly Asked Questions

COMMONLY ASKED QUESTIONS

When can you tell me the amount of funds required to close escrow?
Upon receipt of loan documents and preparation of your escrow instructions, contact your real estate agent so he/she can let you know the amount of funds you will need to close escrow.

Who will call me to schedule an appointment?
Normally your real estate agent will call you. However, sometimes your title company will call you to make arrangements for your signing.

Can I give you a personal check?
No. According to California State Law all funds must be in the form of a cashier's check or via wire transfer. Most title companies accept teller's checks as long as they are drawn from a California banking institution. Please verify that your bank will issue a teller's check. Let them know that you are purchasing a home and the check is being issued to a title company.

When do I get my keys?
At the close of escrow your real estate agent will contact you regarding the disbursement of the keys. Usually this is by noon the day you close escrow.

How much time should I allow for my signing appointment?
Please allow at least 45 minutes to 1 hour for your signing appointment.

What will the escrow explain to me at my appointment?
Any and all loan documents drawn by the lender of your choice, escrow instructions with terms of sale per your purchase contract, the estimated escrow statement, preliminary report, etc. The escrow officer will explain any reports and inspections that may be required on the property. They will also provide you with a complete package of all documents you have signed

COMMONLY ASKED QUESTIONS

so that you may take it home for further review. Should you have any questions after reviewing your package please do not hesitate to contact your escrow officer.

What is a Statement of Information?
Statements of Information provide title companies with the information they need to distinguish the buyers and sellers of real property from others having similar names. After obtaining information about the true buyers and sellers, title companies may disregard the judgments, liens or other matters affecting those with similar names.

When should I shop for homeowners/ fire insurance?
Due to recent natural disasters in our state we suggest that you start shopping for homeowners/fire insurance as soon as your offer is accepted. (It is a good idea to call your current insurer first. Know the age of your home when shopping for insurance. Please have your agent contact your escrow officer when you have made your decision.

What will I need to take to the title company when I go in to sign my papers?
You will need to bring your cashier’s check payable to the title company (if the amount was given to you previously). Bring a valid driver’s license, California I.D. card, valid passport or military I.D.

When will I get my deed showing proof of ownership?
The day escrow closes is the day the deed records with the county and you become the owner of your home. It could take 6-10 weeks from that date for the county recorder to mail you the original signed and recorded deed.

What is a truth-in-lending statement?
This is one of the most common questions asked in the lending business. Shortly after receiving your loan application, the lender will send you a good-faith estimate of your closing costs and your payment. This information will be based on the actual loan amount and interest rate along with estimated costs incurred with your loan.

Your lender is required by Federal lending regulations to enter all of these actual figures, along with some of the costs you pay (such as your loan origination fee, discount fees and prepaid interest), into a computer and show you the annual percentage rate (APR) based on all of these numbers. The statement you will receive is the computer’s rendition of your true cost amortized over the term of your mortgage.

The good news is that at closing your note will state the actual “note” rate (which your payment is based on), and your fees will once again be separated and charged as your good-faith estimate indicated.

COMMONLY ASKED QUESTIONS

What are some qualifying tips for a relocating buyer?
The number one tip— do not pack your personal papers! Mortgage loans are very precise and require documentation furnished by the borrower. Keep your financial records with you until your loan closes.

Be prepared by knowing the exact details of your relocation package. Here are a few of the items that are essential:

- Will your company buy your present home or issue an equity advance?
- If your home does not sell, will your company make the payments for you until it does sell?
- Will your company pay your closing costs on your purchase? If so, will they advance the funds or reimburse you after closing?

It is important to keep copies of any advance checks you may receive as well as all documentation on your move. It is much easier to keep extra unused paperwork than to try to find additional paperwork when you are trying to close.

Can my parents co-sign for my home loan?
In the mortgage industry, we use co-borrowers more often than co-signers. This means that your parents will go through a full application procedure and qualify along with you. Each investor has a different policy on this practice. It would be wise to consult with your loan officer to make sure you follow the correct guidelines.

How can I find out if I am eligible for VA financing?
The easiest way is to request your Certificate of Eligibility from the Department of Veterans Affairs (VA).

When you are discharged, you receive a very important document called a DD-214. If you send a copy of this form along with a request for determination of eligibility (form number 1880) to the VA, you will receive your answer within a week or two.

Are loans for condominiums different from other home loans?
When the economy goes through tough times, condominiums (condos) and townhomes values seem to be more variable than single-family residences.

Because of this past performance, investors have special requirements. Most investors will want the units to be at least 70% owner-occupied. The reason for this requirement is the belief that owners will maintain the complex better than renters and the homeowners' association will be stronger. Lenders will also be wary of lending in any condo complex that has any litigation as it pertains to construction defects.

Once you find the unit you like, you will need to research the following:

- Is the project FHA approved? (These are the easiest to finance.)
- What is the percentage of owner-occupancy? (The higher the percentage, the better.)
- Does any one entity own more than 10 percent of the units? (If so, this usually makes it hard to finance.)
- Is the homeowners' association financially sound and owned totally by the individuals in the complex?

COMMONLY ASKED QUESTIONS

When you go shopping for a condo or townhome, it takes a little more research and knowledge about your selection, which is not necessarily a bad thing.

Is it legally mandatory to have a tax and insurance escrow account?
It's not a law— just different investor "rules." FHA and VA require escrow accounts for all loans they insure and guarantee. There are so many different conventional investors and they vary as to their individual wants and needs. Some will automatically waive the requirement of holding your escrow account if you have a large down payment (usually 10-20%), other lenders may actually provide pricing incentives to establish impound accounts.

Why do mortgage interest rates go up and down so dramatically?
As the lending industry has evolved, the buying and selling of mortgages has become very sophisticated and there are many different investors making home mortgage loans. The easiest indicator you can follow in watching the direction of interest rates is the bond market. Although interest rates usually have long periods of decline or increase, there are many days when rates may jump up or down dramatically— just as the bond market can. These are often referred to as "hiccups."

When rates begin to go higher permanently, it will be (as history has proven) a slow, steady increase. It is the trend you will want to follow. Is the overall trend up or down? Don't let the daily "hiccups" alarm you.

What are points?
One point is equal to 1% of the loan amount. This amount, like the interest rate, can vary. You can "buy" the interest rate down to a lower rate by paying more points.

What is a "no-closing-costs" loan?
If advertisements said "Higher Interest Rate– You Pay No Closing Costs," they would be more accurate. One of the choices you have when selecting your mortgage is the option of financing the cost to obtain your loan by paying a higher interest rate for the life of your loan and letting your lender write the check at closing to pay the fees.

Example: $100,000 mortgage with an interest rate of 8.5%, with closing costs of approximately $2,500. With a 30-year mortgage, each month you will pay principal and interest payments of $768.92. If you selected the "no-cost" program, your lender would pay the $2,500 at closing and your interest rate is 9.5%. The principal and interest payment would be $840.86 per month. As you can see, either you pay now ($2,500 at closing), or later ($71.94 per month in your payment).

What is a mortgage loan buy-down?
There are two types of buy-down loans. One is permanent and the other is temporary.

The *permanent buy-down* is the most common. The interest rate for your loan will be bought down by the use of points at closing. As an example, if the market rate today is 9% with no points, you could pay 2 points at closing and receive an interest rate of 8.5% for the entire term of your mortgage.

COMMONLY ASKED QUESTIONS

With the *temporary buy-down*, there will be an escrow account collected at closing to subsidize the mortgage payments during the early years. After these funds are used, the payment will go to the actual note rate. With a note rate of 9%, you could have a temporary buy-down of 7% during the first year and 8% during the second year. At the end of the second year you would make the payments at the full note rate of 9% for the remainder of the term of the loan, which is 2% below the note rate the first year and 1% below the note rate for the second year.

What is a float or lock option?
If you lock your loan and rates increase, you are protected. Once you lock, if rates decrease, you will not get the lower interest rates. If you think rates will go lower and you don't mind the risk, you may want to float. This means you are at the mercy of the market until you lock. You can usually lock at any time and must do so eventually so that you can close on your transaction.

Some important tips on floating and locking:

- If you are the nervous type– lock.
- Once you lock, your lender promises you that rate. Make sure you ask your loan officer for confirmation in writing, so you won't have any misunderstandings later.
- If you choose to float, you are responsible for watching what interest rates are doing, and must let your lender know when you want to lock.
- Be aware of your sales contract. You must at all times know what the seller has agreed to pay in the way of points, if any, and he or she will not be responsible for your gamble.

When is a deposit considered a "large" deposit?
When a single deposit or multiple deposits over the period of time covered by the bank statements reviewed by the underwriter, in aggregate, results in a large deposit.

SINGLE DEPOSITS
Single Deposits that represent more than 25% of the total qualifying monthly income of the loan

- If the bank account is joint with another borrower, review single deposits that exceed 25% of the total qualifying monthly income for the loan.
- If joint borrowers have separate account(s) then review single deposits that exceed 25% of the individual borrower's total qualifying monthly income for the loan.

MULTIPLE DEPOSITS
Multiple aggregated deposits that represent more than 25% of the total qualifying monthly income for the loan for the period covered on the bank statement.

- If the bank account is joint with another borrower review multiple deposits that exceed 25% of the total qualifying monthly income for the loan.
- If joint borrowers have separate account(s) then review multiple deposits that exceed 25% of the individual borrower's total qualifying monthly income for the loan.

Note: Self-employed borrower's gross income is the monthly qualifying income used for the self-employed borrower

Glossary of Terms

GLOSSARY OF TERMS

Amortization
The means by which a loan is scheduled to be paid off (including interest and principal) by a series of regular installment periods. Loans are typically amortized over a thirty-year period.

Appraisal
A formal written estimate of the current value of the home.

Annual Percentage Rate (APR)
The cost of your credit expressed as a yearly rate. It takes into account interest, points, and loan origination fees. The APR is disclosed as a requirement of the federal truth in lending statutes.

Assessed Value
The value a taxing authority places upon real or personal property for the purpose of calculating taxes.

Assumability
The feature of a loan which permits you to transfer your mortgage and its specified terms to the person(s) purchasing your home. Having an assumable loan could make it easier to sell your home, since an assumption of a loan usually involves lower fees and/or qualifying standards for the new borrower than a new loan.

Balloon Payment
The remaining balance of a home loan that must be paid in a lump sum at the end of a specified time period. The amount may represent slightly more than a monthly payment, or it may be a substantial amount.

Buy-Down
Loans with buy-down plans require that a certain amount (usually a percentage) is paid by the buyer or seller to reduce the interest rate over the initial portion of the loan term or for the whole term. Buy-downs can either be temporary or permanent.

Cash on Hand
Cash held by a borrower that is not verifiable in a bank or other holding institution. Very difficult to use for closing by underwriting guidelines (also called "mattress money").

Cash Reserves
Cash reserves are liquid assets (for example, cash or marketable securities) that the applicant retains after making the down payment and paying closing costs.

Clear Title
Real property against which there are no liens or judgments.

Closing
The conclusion of a transaction. In real estate, closing includes the delivery of a deed, delivery of financial disclosures, the signing of notes and the disbursement of funds necessary to consummate the sale. Title is transferred.

GLOSSARY OF TERMS

Closing Costs
Costs that must be paid before the loan can be paid or funded. These costs may include such things as property tax, insurance, points, escrow fees, title insurance premiums, recording fees, transfer tax, etc. Escrow instructions will stipulate which portions of the fees are to be paid by the buyer or the seller. An estimate of closing costs will be given to you by the lender within a few days after receiving your loan application.

Cloud on Title
A question concerning ownership, raised by a claim on real property, that could affect the rights of the owner.

Common Areas
Land and facilities shared by all individual owners in a residential project (such as a condominium or planned unit development project) and sometimes managed by a homeowner's association. Common areas include streets, parks, tennis courts, pools, community buildings and other amenities for the convenience and enjoyment of the residents.

Comparables (Comps)
Recently sold properties that are used in the appraisal process to determine the fair market value of the subject property. Properties are comparable if they are approximately the same size, in the same location and have similar amenities to the subject property.

Condominium
A form of ownership of real property. The purchaser receives title to a particular unit and a proportionate interest in certain common areas. The purchaser may also receive the right to the use of certain areas (e.g., parking and storage). A condominium is generally defined as a separately owned space bounded by the interior surfaces of the perimeter walls, floors and ceilings.

Conforming
In real estate lending, the term used to describe a home loan that meets FNMA/FHLMC guidelines.

Conventional Loan
A home loan, generally made by a financial institution, that is not insured or guaranteed by any federal agency such as FHA or VA.

Credit Report
A report giving a person's credit history that shows delinquent payments, bankruptcies, foreclosures and public records. There are three bureaus reporting credit information.

Debt Ratio
Percentage of the debt in relation to income.

Deed
A written instrument that when properly executed and delivered, conveys title or ownership of real property from the seller to the buyer.

GLOSSARY OF TERMS

Down Payment
The difference between the sales price of real estate and the loan amount.

Eleventh District Cost of Funds Index (COFI)
This index is the monthly weighted average cost of savings, borrowings and advances of member institutions of the Federal Home Loan Bank of San Francisco. Because this index generally reacts more slowly in fluctuating markets, adjustments in interest rates tied to this index will lag behind some other market indicators.

Equal Credit Opportunity Act (ECOA)
ECOA is a federal law that requires lenders and other creditors to make credit available without discrimination based on race, color, religion, national origin, age, sex, marital status, receipt of income from public assistance programs or good-faith exercise of rights under the Consumer Credit Protection Act.

Equity
The difference between the fair market value and the existing liens on the property, sometimes referred to as the owner's interest.

Escrow Agent
A neutral third-party (escrow officer) appointed to act as custodian for documents and funds during the transfer from seller to buyer.

Fixed-rate mortgage
The type of loan where the interest rate will not change for the entire term of the loan.

Gift Letter
A letter certifying to the underwriter that funds in the applicant's account are truly a gift and need not be repaid.

Good-Faith Estimate
A form provided by a lender (usually at application or shortly after) that provides a breakdown of estimated closing costs.

Gross Income
Total income before any expenses are deducted.

Hazard Insurance
A broad form of casualty insurance coverage for real estate that includes protection against loss from fire, certain natural causes, vandalism and malicious mischief.

Homeowners' Association
An organization of homeowners residing within a particular development whose major purpose is to maintain and provide community facilities and services for the common enjoyment of the residents.

GLOSSARY OF TERMS

Impound Account
A savings account for accumulating that portion of a borrower's monthly payments designated for future payment of taxes and/or insurance. Required by certain lenders or with certain types of financing.

Index
Used by lenders to calculate the interest adjustment of variable loans. Some indexes are more volatile than others. This can affect adjustments in your interest rate and subsequently, your monthly payments.

Interest Rate Cap
A safeguard built into variable rate loans to protect the consumer by limiting the movement in the rate of interest when adjusted.

Installment Debt
Borrowed money that is repaid in several successive payments, usually at regular intervals, for a specific amount and for a specified term. For example, a car loan or furniture loan.

Joint Tenancy
Joint ownership by two or more persons with right of survivorship; all joint tenants have an equal ownership interest and have equal rights to the property.

Judgment
The decision of a court of law. Judgments become liens against the defendant or a lien on real property of the defendant.

Liabilities
A general term referring to all types of debts and obligations. The applicant's liabilities include all installment loans, revolving charge accounts, real estate loans, stock pledges, alimony and all other debts or obligations of a continuing nature.

Lien
A security claim on property until a debt is satisfied.

Loan-to-Value (LTV)
Ratio of the loan to the value of the home.

Locked Loan
Mortgage rates can change daily. An advertised rate may not be the rate you actually receive Borrowers must ask lenders to lock in or guarantee the rate for a specified period of time.

Margin
An amount expressed as a percentage which is added to the index in order to determine the interest on a variable rate loan. Different lenders and loan programs may use different margins and indexes. The margin generally does not change once it is established in your loan documents.

GLOSSARY OF TERMS

Market Value
The most probable price at which a property will sell in a competitive and open market.

Mortgage Insurance
Insurance (whether government or private) the function of which is to insure a home loan lender against loss caused by a borrower's default. This insurance may cover a percentage of, or virtually all of the home loan depending on the type of loan.

Negative Amortization
A situation which may occur on variable rate loans which have a payment cap feature. If your monthly payment is capped, your adjusted payment amount may, at times, be insufficient to pay the actual amount due. The unpaid deferred interest will then be added to your loan balance. This increase in your loan balance is known as negative amortization.

Non-conforming Loan
In reference to real estate, a home loan with an amount that exceeds FNMA/FHLMC loan limits (also called a "jumbo" loan).

Non-Recurring Closing Costs
One-time charges, i.e.: title fees, points, appraisal fees, document/processing fees, initial PMI premium (may be a gift, paid by seller or borrowed).

Note
A written promise by one party to pay a specified sum of money to a second party under conditions agreed upon mutually.

Payment Adjustment
For adjustable rate loans, it is an increase or decrease in the required monthly principal and interest payment according to the terms outlined in the note.

Payment Cap
Payment change limitation. A restriction on the amount that the monthly payment on an adjustable rate loan can change on any payment date. With a payment cap there may be deferred interest (negative amortization).

PITI
Refers to principal, interest, taxes and insurance.

Points
Each point is 1% of the loan amount.

GLOSSARY OF TERMS

Prepaid Interest
Interest paid before it is due. This payment is made at loan closing.

Prepayment Penalty
A charge that a borrower may be required to pay during the years of a real estate loan if he or she pays it in full or pays large sums to reduce the unpaid balance.

Prequalification
Informal estimate of how much financing a potential borrower might expect to obtain. Will often include a counseling of loan types and review of creditworthiness.

Principal
The amount of debt, exclusive of accrued interest, remaining on a loan.

Private Mortgage Insurance (PMI)
Insurance which guarantees the lender payment of the balance of the loan not covered by sale of the property in the event of foreclosure. PMI may be required on certain types of loans and will be included as part of your monthly payment.

Processing
Gathering the confirmation and support documents necessary so that the lender can consider the borrower for a loan.

Qualifying
Process used to evaluate the risk of loaning to a specific borrower to purchase a specific house. Two separate issues are covered— the property and the creditworthiness of the borrower.

Real Property
Land and anything attached to the land.

Recording Fees
Charges for recording documents with public agencies.

Recurring Closing Costs
Costs that will be paid again and again, i.e. taxes and insurance (can be a gift).

Regulation Z
Federal regulation by the Federal Reserve Board to carry out the purposes of the Truth-in-Lending Act.

Rescission
The right of a consumer to cancel (at no cost) a credit transaction in which the consumer's current primary residence is used as security for a debt. This right does not apply to a purchase transaction.

GLOSSARY OF TERMS

Revolving Debt
A credit arrangement under which the borrower may purchase merchandise or services or obtain cash. Upon payment of all or a portion of the principal balance, it is then available for use again. Typically, when a borrower pays off revolving debt, it will be used again. This will often be taken under consideration in the underwriting process.

Second Mortgage
A loan secured by a mortgage that is lower in priority than a first mortgage. Commonly used to supplement a first mortgage loan or assumption at the time of purchase or as a way of raising cash for home improvements.

Sweat Equity
The equity created in a property by the performance of work or labor by the purchaser or borrower.

Tenants in Common
Ownership of property by two or more persons in undivided interests without right of survivorship.

Title Insurance
A required policy purchased by the buyer of a home ensuring that title will be held free of any liens other than that obtained by the buyer.

Truth-in-Lending
Federal legislation that provides borrowers with specific information on the cost of obtaining credit (See Regulation Z).

Underwriting
In real estate lending, the analysis of the risk involved in making a real estate loan to determine whether the risk is acceptable to the lender. Underwriting involves the evaluation of the property as outlined in the appraisal report, and assessment of the borrower's ability and willingness to repay the loan.

Appendix

Uniform Residential Loan Application

This application is designed to be completed by the applicant(s) with the Lender's assistance. Applicants should complete this form as "Borrower" or "Co-Borrower," as applicable. Co Borrower information must also be provided (and the appropriate box checked) when ☐ the income or assets of a person other than the "Borrower" (including the Borrower's spouse) will be used as a basis for loan qualification or ☐ the income or assets of the Borrower's spouse will not be used as a basis for loan qualification, but his or her liabilities must be considered because the Borrower resides in a community property state, the security property is located in a community property state, or the Borrower is relying on other property located in a community property state as a basis for repayment of the loan.

I. TYPE OF MORTGAGE AND TERMS OF LOAN

Mortgage Applied for: ☐ V.A ☐ Conventional ☐ Other: ☐ FHA ☐ FmHA	Agency Case Number	Lender Case No.

Amount	Interest Rate	No. of Months	Amortization Type: ☐ Fixed Rate ☐ Other (explain): ☐ GPM ☐ ARM (type):
$	%		

II. PROPERTY INFORMATION AND PURPOSE OF LOAN

Subject Property Address (street, city, state, & ZIP)	County	No. of Units

Legal Description of Subject Property (attach description if necessary)	Year Built

Purpose of Loan ☐ Purchase ☐ Construction ☐ Other (Explain) ☐ Refinance ☐ Construction-Permanent	Property will be: ☐ Primary Residence ☐ Secondary Residence ☐ Investment

Complete this line if construction or construction-permanent loan.

Year Lot Acquired	Original Cost	Amount Existing Liens	(a) Present Value of Lot	(b) Cost of Improvements	Total (a+b)
	$	$	$	$	$

Complete this line if this is a refinance loan.

Year Acquired	Original Cost	Amount Existing Liens	Purpose of Refinance	Describe Improvements ☐ made ☐ to be made
	$	$		Cost: $

Title will be held in what Name(s)	Manner in which Title will be held	Estate will be held in: ☐ Fee Simple ☐ Leasehold (show expiration date)
Source of Down Payment, Settlement Charges and/or Subordinate Financing (explain)		

III. BORROWER INFORMATION

Borrower				Co-Borrower			
Borrower's Name (including Jr. or Sr. if applicable)				Co-Borrower's Name (including Jr. or Sr. if applicable)			
Social Security Number	Home Phone (incl. area code)	Age	Yrs. School	Social Security Number	Home Phone (incl. area code)	Age	Yrs. School
☐ Married ☐ Separated ☐ Unmarried (include single, divorced, widowed	Dependents (not listed by Co-Borrower) no. ages			☐ Married ☐ Separated ☐ Unmarried (include single, divorced, widowed	Dependents (not listed by Borrower) no. ages		
Present Address (street, city, state, ZIP) ☐ Own ☐ Rent ____ No. Yrs.				Present Address (street, city, state, ZIP) ☐ Own ☐ Rent ____ No. Yrs.			

If residing at present address for less than two years, complete the following:

Borrower	Co-Borrower
Former Address (street, city, state, ZIP) ☐ Own ☐ Rent ____ No. Yrs.	Former Address (street, city, state, ZIP) ☐ Own ☐ Rent ____ No. Yrs.
Former Address (street, city, state, ZIP) ☐ Own ☐ Rent ____ No. Yrs.	Former Address (street, city, state, ZIP) ☐ Own ☐ Rent ____ No. Yrs.

IV. EMPLOYMENT INFORMATION

Borrower		Co-Borrower	
Name & Address of Employer ☐ Self Employed	Yrs. on this job	Name & Address of Employer ☐ Self Employed	Yrs. on this job
	Yrs. employed in this line of work/profession		Yrs. employed in this line of work/profession
Position/Title/Type of Business	Business Phone (incl. area code)	Position/Title/Type of Business	Business Phone (incl. area code)

If employed in current position for less than two years or if currently employed in more than one position, complete the following:

Borrower		Co-Borrower	
Name & Address of Employer ☐ Self Employed	Dates (from - to)	Name & Address of Employer ☐ Self Employed	Dates (from - to)
	Monthly Income $		Monthly Income $
Position/Title/Type of Business	Business Phone (incl. area code)	Position/Title/Type of Business	Business Phone (incl. area code)
Name & Address of Employer ☐ Self Employed	Dates (from - to)	Name & Address of Employer ☐ Self Employed	Dates (from - to)
	Monthly Income $		Monthly Income $
Position/Title/Type of Business	Business Phone (incl. area code)	Position/Title/Type of Business	Business Phone (incl. area code)

Borrower's Signature: X	Date	Freddie Mac Form 65 10/92 Fannie Mae Form 1003 10/92
Co-Borrower's Signature: X	Date	

V. MONTHLY INCOME AND COMBINED HOUSING EXPENSES INFORMATION

Gross Monthly Income	Borrower	Co-Borrower	Total	Combined Monthly Housing Expenses	Present	Proposed
Base Empl. Income*	$	$	$	Rent	$	
Overtime				First Mortgage (P&I)		$
Bonuses				Other Financing (P&I)		
Commissions				Hazard Insurance		
Dividends/Interest				Real Estate Taxes		
Net Rental Income				Mortgage Insurance		
Other (before completing, see the notice in "describe other income," below)				Homeowner Assn. Dues		
				Other:		
Total	$	$	$	**Total**	$	$

* Self Employed Borrower(s) may be required to provide additional documentation such as tax returns and financial statements.

Describe Other Income Notice: Alimony, child support, or separate maintenance income need not be revealed if the Borrower (B) or Co-Borrower (C) does not choose to have it considered for repaying this loan.

B/C		Monthly Amount
		$

VI. ASSETS AND LIABILITIES

This Statement and any applicable supporting schedules may be completed jointly by both married and unmarried Co-Borrowers if their assets and liabilities are sufficiently joined so that the Statement can be meaningfully and fairly presented on a combined basis; otherwise separate Statements and Schedules are required. If the Co-Borrower section was completed about a spouse, this Statement and supporting schedules must be completed about that spouse also.

Completed ☐ Jointly ☐ Not Jointly

Description ASSETS	Cash or Market Value
Cash deposit toward purchase held by:	$
List checking and savings account below	
Name and address of Bank, S&L, or Credit Union .	
Acct. No.	$ 0.00
Name and address of Bank, S&L, or Credit Union	
Acct. No.	$
Name and address of Bank, S&L, or Credit Union	
Acct. No.	$
Name and address of Bank, S&L, or Credit Union	
Acct. No.	$
Stocks & Bonds (Company name/number & description	$
Life insurance net cash value: Face amount: $	$
Subtotal Liquid Assets	$
Real estate owned (enter market value from schedule of real estate owned)	$
Vested interest in retirement fund	$
Net worth of business(es) owned (attach financial statement)	$
Automobiles owned (make and year)	$
Other Assets (itemize)	$
Total Assets a.	$

Liabilities and Pledged Assets. List the creditor's name, address and account number for all outstanding debts, including automobile loans, revolving charge accounts, real estate loans, alimony, child support, stock pledges, etc. Use continuation sheet, if necessary. Indicate by (*) those liabilities which will be satisfied upon sale of real estate owned or upon refinancing of the subject property.

LIABILITIES	Monthly Pmt. & Mos. Left to Pay	Unpaid Balance
Name and address of Company .	$ Pmt./Mos.	$
Acct. No.		
Name and address of Company .	$ Pmt./Mos. * To be paid off	$
Acct. No.		
Name and address of Company	$ Pmt./Mos.	$
Acct. No.		
Name and address of Company	$ Pmt./Mos.	$
Acct. No.		
Name and address of Company	$ Pmt./Mos.	$
Acct. No.		
Name and address of Company	$ Pmt./Mos.	$
Acct. No.		
Name and address of Company	$ Pmt./Mos.	$
Acct. No.		
Alimony/Child Support/Separate Maintenance Payments Owed to:	$	
Job Related Expense (child care, union dues etc.)	$	
Total Monthly Payment	$	
Net Worth (a minus b) $	**Total Liabilities b.**	$

Borrower's Signature: Date
X

Co-Borrower's Signature: Date
X

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VI. ASSETS AND LIABILITIES (cont.)

Schedule of Real Estate Owned (if additional properties are owned, use continuation sheet.)

Property Address (enter S if sold, PS if pending sale, or R if rental being held for income)		Type of Property	Present Market Value	Amount of Mortgages & Liens	Gross Rental Income	Mortgage Payments	Insurance / Maintenance, Taxes & Misc.	Net Rental Income
			$	$	$	$	$	$
		Totals	$	$	$	$	$ **0**	$

List any additional names under which credit has previously been received and indicate appropriate creditor name(s) and account number(s):

Alternate Name	Creditor Name	Account Number

VII. DETAILS OF TRANSACTION

a.	Purchase price	$
b.	Alterations,improvements, repairs	
c.	Land (if acquired separately)	
d.	Refinance (incl. debts to be paid off)	
e.	Estimated prepaid items	
f.	Estimated closing costs	
g.	PMI, MIP, Funding Fee	
h.	Discount (if Borrower will pay)	
i.	**Total costs (add items a through h)**	
j.	Subordinate financing	
k.	Borrower's closing costs paid by Seller	
l.	Other Credits (explain)	
m.	Loan amount (exclude PMI, MIP, Funding Fee financed)	
n.	PMI,MIP, Funding Fee financed	
o.	Loan amount (add m & n)	
p.	Cash from/ to Borrower (subtract j, k, l & o from i)	

VIII. DECLARATIONS

If you answer "Yes" to any questions a through i , please use continuation sheet for explanation.

		Borrower Yes	Borrower No	Co-Borrower Yes	Co-Borrower No
a.	Are there any outstanding judgments against you?	☐	☐	☐	☐
b.	Have you been declared bankrupt within the past 7 years?	☐	☐	☐	☐
c.	Have you had property foreclosed upon or given title or deed in lieu thereof in the last 7 years?	☐	☐	☐	☐
d.	Are you a party to a lawsuit?	☐	☐	☐	☐
e.	Have you directly or indirectly been obligated on any loan which resulted in foreclosure, transfer of title in lieu of foreclosure, or judgment? (This would include such loans as home mortgage loans, SBA loans, home improvement loans, educational loans, manufactured (mobile) home loans, any mortgage, financial obligation, bond, or loan guarantee. If "Yes," provide details, including date, name and address of Lender, FHA or VA case number, if any, and reasons for the action.)	☐	☐	☐	☐
f.	Are you presently delinquent or in default on any Federal debt or any other loan, mortgage, financial obligation, bond, or loan guarantee? If "Yes," give details as described in the preceding question.	☐	☐	☐	☐
g.	Are you obligated to pay alimony, child support, or separate maintenance?	☐	☐	☐	☐
h.	Is any part of the down payment borrowed?	☐	☐	☐	☐
i.	Are you a co-maker or endorser on a note?	☐	☐	☐	☐
j.	Are you a U.S. citizen?	☐	☐	☐	☐
k.	Are you a permanent resident alien?	☐	☐	☐	☐
l.	**Do you intend to occupy the property as your primary residence? If "Yes," complete question m below.**	☐	☐	☐	☐
m.	Have you had an ownership interest in a property in the last three years?	☐	☐	☐	☐
	(1) What type of property did you own - - principal residence (PR), second home (SH), or investment property (IP)?				
	(2) How did you hold title to the home - - solely by yourself (S), jointly with your spouse (SP), or jointly with another person (O)?				

IX. ACKNOWLEDGMENT AND AGREEMENT

The undersigned specifically acknowledge(s) and agree(s) that: (1) the loan requested by this application will be secured by a first mortgage or deed of trust on the property described herein; (2) the property will not be used for any illegal or prohibited purpose or use; (3) all statements made in this application are made for the purpose of obtaining the loan indicated herein; (4) occupation of the property will be as indicated above; (5) verification or reverification of any information contained in the application may be made at any time by the Lender, its agents, successors and assigns, either directly or through a credit reporting agency, from any source named in this application, and the original copy of this application will be retained by the Lender, even if the loan is not approved; (6) the Lender, its agents, successors and assigns will rely on the information contained in the application and I/we have a continuing obligation to amend and/or supplement the information provided in this application if any of the material facts which I/we have represented herein should change prior to closing; (7) in the event my/our payments on the loan indicated in this application become delinquent, the Lender, its agents, successors and assigns, may, in addition to all their other rights and remedies, report my/our name(s) and account information to a credit reporting agency; (8) ownership of the loan may be transferred to successor or assign of the Lender without notice to me and/or the administration of the loan account may be transferred to an agent, successor or assign of the Lender with prior notice to me; (9) the Lender, its agents, successors and assigns make no representation or warranties, expressed or implied, to the Borrower(s) regarding the property, the condition of the property, or the value of the property.

Certification: I/We certify that the information provided in this application is true and correct as of the date set forth opposite my/our signature(s) on this application and acknowledge my/our understanding that any intentional or negligent misrepresentation(s) of the information contained in this application may result in civil liability and/or criminal penalties including, but not limited to, fine or imprisonment or both under the provision of Title 18, United States Code, Section 1001, et seq. and liability for monetary damages to the Lender, its agents, successors and assigns, insurers and any other person who may suffer any loss due to reliance upon any misrepresentation which I/we have made on this application.

Borrower's Signature	Date	Co-Borrower's Signature	Date
X		**X**	

X. INFORMATION FOR GOVERNMENT MONITORING PURPOSES

The following information is requested by the Federal Government for certain types of loans related to a dwelling, in order to monitor the Lender's compliance with equal credit opportunity, fair housing and home mortgage disclosure laws. You are not required to furnish this information, but are encouraged to do so. The law provides that a Lender may neither discriminate on the basis of this information, nor on whether you choose to furnish it. However, if you choose not to furnish it, under Federal regulations this Lender is required to note race and sex on the basis of visual observation or surname. If you do not wish to furnish the above information, please check the box below. (Lender must review the above material to assure that the disclosures satisfy all requirements to which the Lender is subject under applicable state law for the particular type of loan applied for.)

BORROWER
☐ I do not wish to furnish this information

Race/National Origin:
☐ American Indian or Alaskan Native ☐ Asian or Pacific Islander ☐ White, not of Hispanic origin
☐ Black, not of Hispanic origin ☐ Hispanic
☐ Other (specify) ____________

Sex: ☐ Female ☐ Male

CO-BORROWER
☐ I do not wish to furnish this information

Race/National Origin:
☐ American Indian or Alaskan Native ☐ Asian or Pacific Islander ☐ White, not of Hispanic origin
☐ Black, not of Hispanic origin ☐ Hispanic
☐ Other (specify) ____________

Sex: ☐ Female ☐ Male

To be completed by Interviewer

This application was taken by:
☐ face-to-face interview
☐ by mail
☐ by telephone

Interviewer's Name (print or type)

Interviewer's Signature — Date

Interviewer's Phone Number (incl. area code)

Name and Address of Interviewer's Employer

BORROWER'S CERTIFICATION, AUTHORIZATION & ACKNOWLEDGEMENT

CERTIFICATION

The undersigned certify to the following:

- I/We have applied for a mortgage loan from First Capital. In applying for the loan, I/We completed a loan application containing various information on the purpose of the loan, the amount and source of the down payment, employment and income information, and assets and liabilities. I/We certify that all of the information is true and complete. I/We made no misrepresentation in the loan application or other documents, nor did I/We omit any pertinent information.
- I/We understand and agree that First Capital reserves the right to change the mortgage loan review process to a full documentation program. This may include verifying the information provided on the application with my employer and/or financial institution.
- I/We fully understand that it is a Federal crime punishable by fine and/or imprisonment to knowingly make false statements when applying for a mortgage, as applicable under the provisions of Title 18, United States Code, Section 1014.

AUTHORIZATION TO RELEASE INFORMATION

- I/We have applied for a mortgage loan from First Capital. As a part of the application process, First Capital may verify information contained in my/our loan application and in other documents required in connection with the loan, either before the loan has closed or as part of its quality control program.
- I/We authorize you to provide to First Capital, and any investor to whom First Capital may sell my/our mortgage loan, any and all information and documentation that they request. Such information includes, but is not limited to, employment history and income, bank, money market, and similar account balances, credit history, and copies of income tax returns.
- First Capital or any investor that purchases the mortgage may address this authorization to any party named in the loan application.
- A copy of this authorization may be accepted as an original. Your prompt reply on my/our behalf to First Capital or the investor that purchased the mortgage is appreciated.

DISCLAIMER OF COMMITMENT

The undersigned agrees that the signing of an application form and/or any related documents in connection with our application for a home loan with First Capital does not mean or imply that there is a commitment on the part of First Capital to grant us any such loan, nor is a rate guaranteed until a rate lock has been executed in writing.

AUTHORIZATION AND ACKNOWLEDGMENT

I/We hereby authorize release of funds paid to First Capital for fees incurred in obtaining my/our property appraisal and credit report. I/We understand that these fees and charges are expenses incurred on my/our behalf for the purpose of obtaining a loan and are not refundable. I/We further understand that any and all charges which may be incurred at my/our request in order to expedite my/our loan application and/or loan documents will be billed to me/us at actual cost. Such typical examples include, but are not limited to, requests for special courier service, Federal Express, etc.

EMPLOYMENT CERTIFICATION

An approval for a loan is based upon employment, income, and obligations as shown on the loan application. At closing, the applicant and co-applicant/spouse, if applicable, are required to execute a sworn statement affirming that they are currently working as previously reported, have not received notice of layoff nor have knowledge of pending layoff, and that outstanding obligations are substantially the same as reported on the application. Should a change occur in your employment or financial status prior to loan closing, immediately notify your Loan Officer, as it will be necessary to obtain approval of any changes.

OCCUPANCY STATEMENT

This is to certify that I/We ☐ do ☐ do not intend to occupy the subject property as my/our principal residence. I/We hereby certify under penalty of U.S. Criminal Code Section 1010 Title 18 U.S.C.; that the above statement submitted for the purpose of obtaining mortgage insurance under the National Housing Act is true and correct.

IMPOUND AUTHORIZATION AND AGREEMENT:

On conventional loans in excess of 80% of the lesser of the sales price or the appraised value impounds for property taxes, hazard insurance, and/or mortgage insurance may be required at the discretion of the lender. In most cases, impounds are mandatory on loans in excess of 90%. An impound account provides for monthly payments which are set aside and used to pay property taxes, hazard insurance premiums, mortgage insurance premiums and other impounded items as each become due. You may request an impound account on any loan if desired. Whether the establishment of an impound account is required or voluntary, all funds received and held by the lender in trust, and interest, if any, shall be payable on such funds. Property taxes and hazard insurance may vary from year to year, resulting in impound payments being adjusted accordingly.

In the event an impound account is not required, I/We hereby request the following action:

☐ I/We request that impounds for property taxes and insurance(s) be set up

☐ I/We choose not to have an impound account established in connection with this loan

Borrower	Date	Co-Borrower	Date
Borrower Social Security #		Co-Borrower Social Security #	

First Capital is an RMR Financial company. RMR Financial, LLC is a Residential Mortgage Lender, licensed by the California Department of Business Oversight under the California Residential Mortgage Lending Act, license #413-0827.