The Essential Kit for First-Time Home Buyers

Buying a home is a very important decision. Going through the home-buying process for the first time can feel overwhelming. At Stonegate we have worked with thousands of first-time home buyers across the nation.

We understand what you are going through and the questions and concerns you may have.

We created **"The Essential Kit for First-Time Home Buyers"** especially for you. The kit provides you with an overview of the home-buying process, mortgage terms and definitions, answers to FAQs, and more.

Our experienced Mortgage Advisors provide personal service and will help you during the entire process, from pre-approval to the closing and beyond.

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Kit Contents:

- Steps to Buying a Home
- Documents You'll Need
- Mortgage Calculator(s)
- 5 Key Questions to Ask Before You Buy
- Loan Programs
- Terms You Need to Know
- FAQs

Steps to Buying A Home

There are quite a few steps involved with buying a home.

The five steps that we recommend are not all required for each loan. However, we have found that when these steps are followed in the order that we present them, our clients are better equipped to maneuver the home-buying process.

They are able to make educated decisions, and have an overall positive experience during the home-buying and mortgage process.

Our clients are prepared when they go to the closing table and they close on time with peace of mind.

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Steps to Buying a Home:

1. Get Pre-Approved
2. Hire a Realtor®
3. Hire a Home Inspector
4. Make Formal Application
5. Get Ready to Close

STEP 1: GET PRE-APPROVED

The first step when buying a home is to get **<u>pre-approved</u>** for a mortgage!

The terms *pre-approval* and *pre-qualification* are OFTEN misunderstood.

A *pre-qualification* is usually an approximation of what price a borrower might qualify for. More often than not, information is exchanged verbally regarding debt, income and assets and usually a credit report is <u>not</u> pulled.

A *pre-approval* is more powerful: a credit report <u>is</u> pulled (ideally from all 3 credit bureaus); income, employment and assets are disclosed; and documentation to support the income, employment and assets is provided.

Upon pre-approval, information and documentation are reviewed by a licensed and bonded Mortgage Advisor; information is input into an automated underwriting system; an underwriting report is run, the results are received and evaluated; and an approval determination is made. The Mortgage Advisor consults with the prospective homeowner regarding loan options.

It is important that the prospective homeowner makes no changes to employment, income, assets or debt from the time of pre-approval through to and including the day of closing.

Pre-approvals are subject to: NO changes in a person's financial condition, a satisfactory appraisal and title work, hazard insurance and a final review by a certified mortgage underwriter.

Pre-approval benefits to the buyer include:

- Negotiating power
- Faster closings
- Peace of mind

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STEP 2: HIRE A REALTOR®

Buying a home is a very exciting time but can be overwhelming as there are a multitude of steps involved. By hiring a seasoned and local real estate agent, he or she will help alleviate some of the responsibilities and stress you can experience when purchasing a home.

While this is not an all-inclusive list; generally, the following steps will take place in order to purchase a home:

- ☐ Find a mortgage lender
- ☐ Get pre-approved
- ☐ Establish needs and wants and goals for your new home
- ☐ Look at homes
- ☐ Research the area and amenities for the homes you like
- ☐ Submit a purchase agreement
- ☐ Submit counter offer(s)
- ☐ Setup inspections (home and other inspections as needed)
- ☐ Submit an inspection response to the seller(s)
- ☐ Possibly renegotiate details in the contract as a response to the inspection
- ☐ Apply for the loan
- ☐ Get documentation to the lender and sign lender's disclosures
- ☐ Order title work
- ☐ Order survey
- ☐ Setup homeowner's insurance
- ☐ Receive final approval for the loan
- ☐ Arrange closing with title company, lender, buyers, sellers and agents
- ☐ Review title work and survey
- ☐ Get loan documents to title company
- ☐ Title company prepares the closing statement
- ☐ Obtain final closing numbers
- ☐ Contact your bank to arrange for the money needed for closing

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- ☐ Go to closing
- ☐ Sign documents

CELEBRATE - you are a HOMEOWNER!

STEP 3: HIRE A HOME INSPECTOR

After you have an accepted offer on your home, the next step is often to get the home inspected by a professional home inspector. You want to find a person who is qualified and licensed to inspect homes. You want to end up with a thorough report detailing the condition of the many components of your new home.

One source to use when looking for a licensed home inspector is the National Association of Home Inspectors Inc. (NAHI).

The NAHI website contains lots of important and helpful information about the home inspection process. **Visit NAHI** (http://www.nahi.org) or **click here** (http://www.nahi.org/inspector/) to locate an inspector in your area.

There are other ways to find a licensed inspector:

- Obtain a referral from your Realtor®
- Obtain a referral from a friend, family member or co-worker
- Obtain a referral from your Mortgage Advisor

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STEP 4: MAKE FORMAL APPLICATION

Once you have received notification from your Realtor® that you have an accepted purchase contract, you'll want to contact your Mortgage Advisor to make formal application.

Your Mortgage Advisor will need to know the property address, purchase price, closing details, and more. Your Mortgage Advisor will contact your Realtor® to obtain a copy of the contract, order a new credit report if the one used for the pre-approval is out of date, check rates and contact you to discuss locking in your rate or floating.

Upon your decision to lock or float, your Mortgage Advisor will prepare the formal loan disclosures, obtain your signature on the loan disclosures and collect updated pay stubs and bank statements (if applicable).

The Mortgage Advisor's team will order the appraisal, title work, flood certification and other items needed for your specific loan program.

You will contact your insurance agent to request insurance coverage for your new home.

Your Mortgage Advisor will proactively keep you and your Realtor® updated throughout the loan process, underwriting and closing of the loan for your new home.

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STEP 5: GET READY TO CLOSE

Congratulations! You have successfully made it through the home-buying process.

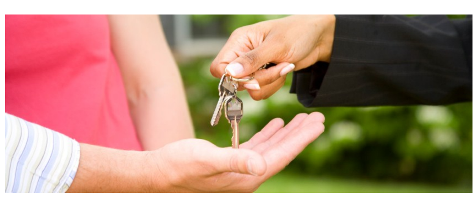
- ☐ You and your Realtor® found the home of your dreams
- ☐ Your home inspection was satisfactory
- ☐ Your appraisal supports the price you agreed to pay for the home
- ☐ Your title work is complete
- ☐ You have your homeowner's insurance policy declaration page and invoice for your first year premium
- ☐ You have clear final loan approval
- ☐ Your closing has been set
- ☐ You know the time, date and location for the title company for your closing

Hang in there, you are almost the owner of your very first home!

THE REMAINING STEPS ARE:

- ☐ Your lender and/or Realtor® will provide you with the amount of money needed for closing
- ☐ You will be advised to either obtain a cashier's or certified check for the amount of money needed or to wire the money to the title company
- ☐ Your lender and/or Realtor® will tell you the location of your closing and provide you with directions
- ☐ You need to bring a current driver's license with you to closing
- ☐ You will sign your name on multiple documents
- ☐ The closer will make copies of the documents
- ☐ The closing is over

CONGRATULATIONS – You are a proud homeowner!



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DOCUMENTS YOU WILL NEED

Documents Required for Pre-Approval

1. **Income**
   - ☐ Last 2 years federal tax returns with all schedules
   - ☐ Last 2 years W-2 forms
   - ☐ Last 30 days paystubs

2. **Assets**
   - ☐ Most recent 2-month supply of bank statements for all funds to be used for closing

     NOTE: <u>All pages to each statement</u>

3. **Identification**
   - ☐ Photo ID

Additional Items Needed (If Applicable)

4. Other Documentation
   - ☐ Last 2 years business returns

     NOTE: <u>All schedules to each return</u>
   - ☐ Divorce decree / settlement agreement
   - ☐ Proof debt paid by another person
   - ☐ Documentation to support large deposits, gifts, inheritance
   - ☐ Documentation to support recently opened debt

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MORTGAGE CALCULATOR(S)

"What will my payment be?" is the question Mortgage Advisors get asked the most. We want to enable you to answer that question, as well as several other questions.

There is a link on our website that connects you to various calculators which allow you to compute the following:

- Mortgage Payment
- Mortgage Principal
- Interest-Only
- Affordability
- Payment per Thousand Financed
- Mortgage length
- Tax Benefits

And enable you to answer the following:

- What if I Pay More Every Month?
- What is The real APR for That Loan?
- Should I Pay Points to Lower My Interest Rate?
- Should I Rent or Buy?
- Should I Pay Regular Payments or Pay as a Bi-Weekly?
- Which Loan Is Better?

You may access the calculators on our website by clicking here or select the Mortgage Calculator link in the Resource Center of our homepage at www.stonegatemtg.com.

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5 KEY QUESTIONS BEFORE YOU BUY

Whether you are a first-time home buyer or seasoned homeowner, there are some important questions you should ask yourself prior to making one of the biggest financial commitments of your life!

Consider these 5 questions (and answers) before proceeding in the home-buying process:

1. How long do I plan to own this home?
Generally, buyers purchase property with the hopes of creating and increasing their wealth. However, if you don't plan on owning the home more than 5 years (the typical 'break-even point' for value vs. costs) you could be left worse off financially from buying and selling too quickly than had you just waited to become a homeowner.

2. Do I love this home?
Considering the length of time you will own the home (especially if you answered 'more than 5 years' on question1), you need to LOVE IT, and if not love it, than really like and want it because it will be a center point of your life and your family's life for many years to come.

3. Can I afford this home?
A lender may approve you for a certain loan amount and property price but they usually don't take into consideration your other bills and expenses. Hence, it's important that you can comfortably afford both your mortgage and life's remaining costs such as utilities, child care and groceries, and have some funds left over for retirement or savings.

4. What shape is the home in?
The ideal scenario is to find a house you love that is move-in ready or only needs minor repairs or updates. Yet, more often than not, buyers will like some features of a house but want to make improvements to other features. Therefore, it is important to realize that fixer-uppers can be a great investment but may require added work, time and money.

5. How well do you know the area?
Especially if you are new to town, you will want to do your research on the home's surrounding area, neighborhoods and property values to determine which location is best for you for the price. An experienced and local Realtor® can provide you added information and overall guidance.

Possessing the proper knowledge and asking the right questions when shopping for homes will provide you peace of mind in your decision to purchase and great confidence in the home you choose to make your own.

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LOAN PROGRAMS

As an approved Fannie Mae (FNMA) and Ginnie Mae (GNMA) seller/servicer, Stonegate offers a wide array of loan programs - many of which require little to no down payment (0 - 3.5%). First-time home buyers may be eligible for additional programs as well. Speak with a Stonegate Mortgage Advisor to discuss all available loan options.

Conforming Agency (Conventional)
Loans that conform to Fannie Mae and Freddie Mac guidelines, including maximum loan amount, borrower credit and income levels, down payment, and eligible properties.

FHA
Loans insured by the Federal Housing Administration, a federal assistance program that promotes home ownership by offering low down payment options, lower interest rates and easier qualifications.

VA
Loans guaranteed by the Department of Veterans Affairs for military service members with benefits like no down payment (100% financing) and competitive (and usually lower) interest rates.

United States Department of Agriculture (USDA)
Government-insured rural development loans for the purchase of homes in rural areas with no down payment (100% financing), no monthly mortgage insurance and low interest rates.

Jumbo
A non-conforming loan that exceeds Fannie Mae and Freddie Mac's loan limits of $417,000 and usually carries a higher interest rate than conforming loans.

Adjustable Rate Mortgage (ARM)
An adjustable rate mortgage starts with a rate that is lower than the market rate and can remain constant (fixed) for a period of 1, 3, 5 or 7 years before adjusting based on market conditions. After the initial fixed period, the rate may adjust up or down, within limits, based on the market. ARMS can be an effective financing tool for buyers who plan to occupy a home for only a few years before reselling.

FHA 203(k) - HOME RENOVATION PROGRAMS
Should you find a home that needs improvement or you would like to make updates to, you can finance both the purchase and renovation with just one loan! Stonegate offers an innovative renovation loan program, or HIP, for primary and secondary properties.

HIP is recommended for people who:

- ✓ Are interested in buying a house that needs (or will need) work but want to avoid going through the hassle of getting two separate loans.
- ✓ Are buying a home that needs repair prior to move in.

Eligible improvements include:

- Exterior (roof, gutters, siding, doors, windows)
- Flooring
- Electrical (Lighting)
- Heating and Air (HVAC)
- Painting
- Appliances
- Kitchen
- Bathroom
- Plumbing
- Energy Efficiency

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TERMS YOU NEED TO KNOW

In addition to the many questions you may have as a first-time home buyer, understanding the terms of the home-buying and home loan process is crucial to achieve a smooth and easy transaction. This glossary is provided specifically to assist you in understanding mortgage loan terms which may vary in definition from one financial institution to another.

A.L.T.A. Policy
An acronym for American Land Title Association. It is a title insurance policy insuring the lender against losses sustained due to lien priority. This policy protects the lender from claims which might have been recorded but may not have been identified by title search and examination. It also protects the lender from defects which might not have been recorded at the time the search was completed. The borrower may pay all, a part, or none of this cost, depending on the terms of the sales contract or local custom.

Acceleration Clause
Provision in a mortgage that allows the lender to demand payment of the entire principal balance if a monthly payment is missed or some other default occurs.

Additional Principal Payment
A way to reduce the remaining balance on the loan by paying more than the scheduled principal amount due.

Additional Security
Security offered to a lender that would be different from the primary security property. This might include an additional piece of real property or a savings account, in addition to the down payment, in order to convince a lender to grant a mortgage loan.

Adjustable Rate Mortgage (ARM)
A mortgage loan in which the interest rate periodically changes according to terms and conditions specified in a mortgage note. The changing interest rate is based upon the upward and downward movement of an index, such as the current U.S. Treasury Securities, and a fixed margin above that index.

Adjusted Basis
The cost of a property plus the value of any capital expenditures for improvements to the property minus any depreciation taken.

Adjustment Date
The date that the interest rate changes on an adjustable-rate mortgage (ARM).

Adjustment Period
The period elapsing between adjustment dates for an adjustable-rate mortgage (ARM).

Affordability Analysis
An analysis of a buyers ability to afford the purchase of a home. Reviews income, liabilities, and available funds, and considers the type of mortgage you plan to use, the area where you want to purchase a home, and the closing costs that are likely.

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TERMS YOU NEED TO KNOW, CONTINUED

Amortization
The gradual repayment of a mortgage loan, both principal and interest, by installments.

Amortization Term
The length of time required to amortize the mortgage loan expressed as a number of months. For example, 360 months is the amortization term for a 30-year fixed-rate mortgage.

Annual Percentage Rate (APR)
The cost of credit, expressed as a yearly rate including interest, mortgage insurance, and loan origination fees. This allows the buyer to compare loans, however APR should not be confused with the actual note rate.

Appraisal
A written analysis prepared by a qualified appraiser and estimating the value of a property.

Appraised Value
An opinion of a property's fair market value, based on an appraiser's knowledge, experience, and analysis of the property.

Appreciation
An increase in property value beyond the original purchase price.

ARM
A mortgage loan in which the interest rate periodically changes according to terms and conditions specified in a mortgage note. The changing interest rate is based upon the upward and downward movement of an index, such as the current U.S. Treasury Securities, and a fixed margin above that index.

Assessed Valuation
The dollar value assigned to real property by a local government for the purpose of assessing taxes.

Asset
Anything owned of monetary value including real property, personal property, and enforceable claims against others (including bank accounts, stocks, mutual funds, etc.).

Assignment
The transfer of a mortgage from one person to another.

Assumability
An assumable mortgage can be transferred from the seller to the new buyer. Generally requires a credit review of the new borrower and lenders may charge a fee for the assumption. If a mortgage contains a due-on-sale clause, it may not be assumed by a new buyer.

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Assumption Fee
The fee paid to a lender (usually by the purchaser of real property) when an assumption takes place.

Balance Sheet
A financial statement that shows assets, liabilities, and net worth as of a specific date.

Balloon Mortgage
A mortgage with level monthly payments that amortizes over a stated term but also requires that a lump sum payment be paid at the end of an earlier specified term.

Balloon Payment
The final lump sum paid at the maturity date of a balloon mortgage.

Bankruptcy
Legal protection for an individual against their creditors. All judgments filed prior to the bankruptcy that may have been awarded to lenders must be dropped. See "Chapter 11," "Chapter 13" and "Chapter 7" below.

Before-tax Income
Income before taxes are deducted.

Biweekly Payment Mortgage
A plan to reduce the debt every two weeks (instead of the standard monthly payment schedule). The 26 (or possibly 27) biweekly payments are each equal to one-half of the monthly payment required if the loan were a standard 30-year fixed-rate mortgage. The result for the borrower is a substantial savings in interest.

Borrower
A person who obtains a loan in order to take ownership of real property. The borrower is responsible for the repayment of that loan according to the terms and conditions of the mortgage note.

Broker
An individual or company that brings borrowers and lenders together for the purpose of loan origination.

Buy-down
When the seller, builder or buyer pays an amount of money up front to the lender to reduce monthly payments during the first few years of a mortgage. Buy-downs can occur in both fixed and adjustable rate mortgages.

Buy Up
A provision granted by a lender that allows the borrower to pay fewer points, which results in a higher interest rate.

Cap(s)
Limits, set by the lender, on the upward (ceiling) or downward (floor) rate changes permitted on an adjustable rate mortgage at each adjustment period.

Cash Out
Cash in hand given to you from the proceeds if a loan that appears on a HUD-1 closing statement.

Consumer Credit Counseling Services (CCCS)
A non-profit organization that assists people in financial difficulty. The individual cannot pay his debts according to schedule yet they do not want to file bankruptcy. The service will request that their lenders stop charging interest and accept a reduced payment. Lenders consider this one-step before filing bankruptcy, and may consider it as if it is bankruptcy. The counseling service actually is paid by your lenders (since they are trying to keep the customer from filing bankruptcy and costing the lender all the remaining balance owed).

Certificate of Eligibility
A document issued by the federal government certifying a veteran's eligibility for a Department of Veterans Affairs (VA) mortgage.

Certificate of Reasonable Value (CRV)
A document issued by the Department of Veterans Affairs (VA) that establishes the maximum value and loan amount for a VA mortgage.

Change Frequency
The frequency (in months) of payment and/or interest rate changes in an adjustable-rate mortgage (ARM).

Chapter 11
Bankruptcy protection for a business/corporation.

Chapter 13
Payment schedule for all creditors owed. Typically, all credit card/signature loans that are owed are paid back at ten cents on the dollar and the secured accounts are paid back in full. Chapter 13's are typically set up on a five year payback plan.

Chapter 7
Total liquidation of all creditors. Any accounts that are secured by collateral must be re-affirmed (a new account is opened and must be paid back), or you will lose the security (ie: car, house, personal property).

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City Inspection
An inspection of the property required by some cities. The seller is required to meet specific property standards established by the city. Properties that meet these standards may be issued a certificate of occupancy.

Closing
A meeting held to finalize the sale of a property. The buyer signs the mortgage documents and pays closing costs. Also called "settlement."

Closing Costs
The costs or fees associated with closing the loan. These fees include but are not limited to: appraisals, title, recording, mortgage broker fees, underwriting, processing, doc prep, credit, loan discount, and wire transfer.

CLTV
Combined loan-to-value. All mortgages combined divided by the market value of the home.

Collateral
Real property and/or other security pledged to a lender as an inducement for granting a loan. If the borrower defaults, the lender has the legal right to seize and sell the collateral in order to collect repayment of the debt.

Commitment Fee
A fee charged by a lender for extending the period of time to which the lender will commit to approval of a specific interest rate and/or loan amount.

Compensating Factors
The strengths of a loan that are mentioned to counter the negative issues to obtain an approval. Compensating factors include but are not limited to: Long time in a home, long time on a job, pride in ownership, good disposable income, saving you a great deal of money with a new loan.

Compound Interest
Interest paid on the original principal balance and on the accrued and unpaid interest.

Comps
Properties that have sold recently that are similar to the home that we are using as collateral on a loan. The properties are compared to determine the market value of our property.

Consumer Reporting Agency (or Bureau)
An organization that handles the preparation of reports used by lenders to determine a potential borrower's credit history. The agency gets data for these reports from a credit repository and from other sources.

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Conventional Loan
A mortgage loan that is not insured by government agencies like the FHA or VA.

Conventional Mortgage
A residential mortgage loan that is not insured or guaranteed by an agency of the government, payable in monthly installments over a specified period of time.

Cost to Cure
Pertains to appraisals. If deferred maintenance is noted on an appraisal, an estimate of the amount to fix the problem must be listed. Normally, the cost to cure figure cannot exceed 3% of the appraised value (unless the deferred maintenance is extremely important portion of the property. For example, a new roof would be extremely important and would have to be repaired prior to closing the loan).

Credit Report
A report detailing an individual's credit history that is prepared by a credit bureau and used by a lender to determine a loan applicant's creditworthiness.

Credit Scores
Appear on a credit report. It is based upon different credit criteria set up by each credit reporting service. The score provides the lender a tool to base their lending decision.

Debt-To-Income Ratio
The percentage of a borrower's monthly income that is used to repay debts. This ratio helps lenders determine how large of a mortgage.

Deed of Trust
The document used in some states instead of a mortgage. Title is conveyed to a trustee.

Default
Failure to make mortgage payments on a timely basis or to comply with other requirements of a mortgage.

Deferred Maintenance
Portions of the home that are in need of repair. These problems are listed on an appraisal. Normally, the deferred maintenance figure cannot exceed 3% of the market value. If the deferred maintenance is something extremely important to the property (such as a roof), then the problem areas must be fixed prior to the loan closing.

Delinquency
Failure to make mortgage payments on time.

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Deposit
This is a sum of money given to bind the sale of real estate, or a sum of money given to ensure payment or an advance of funds in the processing of a loan.

Discharge Date
The date the court files the final paperwork on a bankruptcy proceeding and the case is closed. Ending stage of a bankruptcy.

Discount
In an ARM with an initial rate discount, the lender gives up a number of percentage points in interest to reduce the rate and lower the payments for part of the mortgage term (usually for one year or less). After the discount period, the ARM rate usually increases according to its index rate.

Disposable Income
The amount of money remaining once mortgage payments, homeowner's insurance, real estate taxes, child support payments, and any unpaid bills have been subtracted from total gross monthly income.

Dower
The interest in the real property of a homeowner allowed to the non-title holding spouse.

Down Payment
The cash that a buyer pays toward the purchase of a house. The down payment/equity represents the difference between the mortgage amount and the purchase price, and includes the earnest money (escrow deposit) and secondary financing.

Earnest Money (Escrow Deposit)
Money given by a buyer, to a seller or a seller’s agent, in order to secure the purchase of real property and to show that the buyer’s offer is being made in good faith.

Effective Gross Income
A borrowers normal annual income, including overtime that is regular or guaranteed. Salary is usually the principal source, but other income may qualify if it is significant and stable.

Equity
The amount of financial interest in a property. Equity is the difference between the fair market value of the property and the amount still owed on the mortgage.

Escrow
Money that is set up in reserve to pay real estate taxes and homeowner's insurance.

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TERMS YOU NEED TO KNOW, CONTINUED

Escrow Account
Funds included in the monthly real estate loan payment to accumulate the amounts necessary for the future payment of county taxes and any of the following, when applicable: Private Mortgage Insurance (PMI), homeowner's insurance, flood insurance, mortgage life insurance and disability insurance. Using the funds in the escrow account, the lender makes these payments as they become due.

Escrow Agent
An impartial third party responsible for overseeing the transfer of real property according to conditions set forth in the purchase agreement and any attached addenda.

Escrow Deletion Letter
A letter, signed by both buyer and seller, which deletes the escrow agent listed in the purchase agreement and names a new escrow agent.

Escrow Disbursements
The use of escrow funds to pay real estate taxes, hazard insurance, mortgage insurance, and other property expenses as they become due.

Escrow Fee
A fee paid to the escrow agent for overseeing the transfer of real property.

Escrow Payment
The part of a mortgagor's monthly payment that is held by the servicer to pay for taxes, hazard insurance, mortgage insurance, lease payments, and other items as they become due.

Fannie Mae
A congressionally chartered, shareholder-owned company that is the nation's largest supplier of home mortgage funds.

FHA Mortgage
A mortgage that is insured by the Federal Housing Administration (FHA). Also known as a government mortgage.

FICO Score
FICO scores are the most widely used credit score in U.S. mortgage loan underwriting. This 3-digit number, ranging from 300 to 850, is calculated by a mathematical equation that evaluates many types of information that are on your credit report. Higher FICO scores represent lower credit risks, which typically equate to better loan terms.

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Filing Date
The date that a bankruptcy is recognized and filed by the courts. The beginning stage of a bankruptcy.

Finance Charge
The cost of interest and other charges involved in borrowing money to build or purchase real estate.

First Mortgage
The mortgage/deed of trust that appears on a title that has been recorded the longest has first position. It is solely based upon filing dates. Loan officers must payoff all the liens on a title search to be placed in first position.

Fixed Installment
The monthly payment due on a mortgage loan including payment of both principal and interest.

Fixed Rate Mortgage
Home loans with fully-amortized payment schedules. The interest rate and monthly payment amount remain constant for the life of the loan.

Flood Insurance
A federal insurance plan required for any property purchased in a certain floodhazard area identified by FEMA (Federal Emergency Management Agency). If your property is within such an area, you may be required by federal law to carry flood insurance on your home. Such insurance may be purchased in participating communities under the National Flood Insurance Act.

Foreclosure
When you have failed to make payments. The lender pursues a legal action and is awarded the property. This is the worse entry that can appear on a credit report. The people residing in the home are also evicted. The home is resold, and any balance remaining is still owed by the borrower.

Fully Amortized ARM
An adjustable-rate mortgage (ARM) with a monthly payment that is sufficient to amortize the remaining balance, at the interest accrual rate, over the amortization term.

Gift of Equity
Pertains to purchase money deals. When you are given equity in a home to buy a home and the money does not have to be paid back. Normally, it is between relatives.

Gift of Funds
Pertains to purchase money deals. When you are given funds to buy a home and the money does not have to be paid back. The gift must come from an immediate family member.

GNMA
A government-owned corporation that assumed responsibility for the special assistance loan program formerly administered by Fannie Mae. Popularly known as Ginnie Mae.

Good Faith Estimate
A calculation offered by a lender, usually at the time of application, that provides a breakdown of fees and estimated closing costs.

Gross Debt Ratio
Total remaining debts divided by the monthly income. Expressed in a percentage basis. The higher the percentage the more risk to the mortgage payments.

Gross Income
Total income from all sources for all borrowers on a loan. This is the income before any deductions, including taxes, 401k contributions, insurance premiums or charitable deductions.

Guarantee Mortgage
A mortgage that is guaranteed by a third party.

Homeowner's Hazard Insurance
Insurance protecting a house against certain hazards including loss from fire, certain natural causes and vandalism, and guaranteeing payment to the insured in cases of such loss.

Housing Expense Ratio
The percentage of gross monthly income budgeted to pay housing expenses.

HUD-1 Statement
A document that provides an itemized listing of the funds that are payable at closing. Items that appear on the statement include real estate commissions, loan fees, points, and initial escrow amounts. Each item on the statement is represented by a separate number within a standardized numbering system. The totals at the bottom of the HUD-1 statement define the seller's net proceeds and the buyer's net payment at closing.

Index
A base indicator for the interest rate of an adjustable rate mortgage. A typical index is the 1-year Treasury Bill averaged to a constant maturity, plus the margin. Another typical index would be the Prime Interest Rate.

Initial Interest Rate
This refers to the original interest rate of the mortgage at the time of closing. This rate changes for an adjustable-rate mortgage (ARM). It's also known as "start rate" or "teaser."

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TERMS YOU NEED TO KNOW, CONTINUED

Installment
The regular periodic payment that a borrower agrees to make to a lender.

Installment Debt
Where loan payments are the same set amount each month regardless of the balance.

Insured Mortgage
A mortgage that is protected by the Federal Housing Administration (FHA) or by private mortgage insurance (MI).

Interest
The cost of borrowing money from a lender.

Interest Accrual Rate
The percentage rate at which interest accrues on the mortgage. In most cases, it is also the rate used to calculate the monthly payments.

Interest Rate
The rate used to perform interest calculations and establish the monthly mortgage payment.

Interest Rate Buydown Plan
An arrangement that allows the property seller to deposit money to an account. That money is then released each month to reduce the mortgagor's monthly payments during the early years of a mortgage.

Interest Rate Ceiling
For an adjustable-rate mortgage (ARM), the maximum interest rate, as specified in the mortgage note.

Interest Rate Floor
For an adjustable-rate mortgage (ARM), the minimum interest rate, as specified in the mortgage note.

Judgment
The decree of a court which produces a lien against the real property of a debtor as a result of the court's award of money to a creditor.

Jumbo Mortgage
A loan amount that exceeds the limits set by government-backed companies Fannie Mae and Freddie Mac.

Late Charge
The penalty a borrower must pay when a payment is made a stated number of days (usually 15) after the due date.

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Liabilities
A person's financial obligations. Liabilities include long-term and short-term debt.

Lien(s)
Loans on a property. All liens must be paid that are owed on a property if it is being used as collateral or calculated into the loan-to-value ratios but they cannot be ignored.

Lifetime Rate Cap
For an adjustable-rate mortgage (ARM), a limit on the amount that the interest rate can increase or decrease over the life of the loan. See "Cap(s)".

Line of Credit
An agreement by a commercial bank or other financial institution to extend credit up to a certain amount for a certain time.

Liquid Asset
A cash asset or an asset that is easily converted into cash.

Loan
A sum of borrowed money (principal) that is generally repaid with interest.

Loan Commitment
A guarantee by a lending institution to a borrower to lock in an interest rate for a certain number of days.

Loan-To-Value (LTV)
A percentage representing the mortgage amount divided by the appraised property value or selling price of the property (whichever is less). For example, if the market value of a house is $100,000, and the amount of the loan is $80,000, the LTV is 80%.

Lock-In Period
The guarantee of an interest rate for a specified period of time by a lender, including loan term and points, if any, to be paid at closing. Short term locks (under 21 days), are usually available after lender loan approval only. However, many lenders may permit a borrower to lock a loan for 30 days or more prior to submission of the loan application.

Long-Term Commitment
A rate and/or loan amount guarantee by a lending institution which is longer than its basic commitment period.

TERMS YOU NEED TO KNOW, CONTINUED

Margin
The number of percentage points the lender adds to the index rate to calculate the ARM interest rate at each adjustment.

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

Maturity
The date on which the principal balance of a loan becomes due and payable.

Monthly Fixed Installment
That portion of the total monthly payment that is applied toward principal and interest. When a mortgage negatively amortizes, the monthly fixed installment does not include any amount for principal reduction and doesn't cover all of the interest. The loan balance therefore increases instead of decreasing.

Mortgage
Liens or loans that are owed on a property. They must be calculated into the loan-to-value ratio or paid off but cannot be ignored.

Mortgage Banker
A company that originates mortgages exclusively for resale in the secondary mortgage market.

Mortgage Broker
An individual or company that brings borrowers and lenders together for the purpose of loan origination.

Mortgage Disability Insurance
Optional insurance which, under circumstances spelled out in the insurance policy, makes payments on a mortgage loan when the borrower is injured, ill or disabled.

Mortgage Insurance
A contract that insures the lender against loss caused by a mortgagor's default on a government mortgage or conventional mortgage. Mortgage insurance can be issued by a private company or by a government agency.

Mortgage Insurance Premium (MIP)
The amount paid by a mortgagor for mortgage insurance.

Mortgage Life Insurance
A type of term life insurance In the event that the borrower dies while the policy is in force, the debt is automatically paid by insurance proceeds.

STONEGATE MORTGAGE

TERMS YOU NEED TO KNOW, CONTINUED

Mortgagee
A lender that accepts a debt instrument as a security interest in real property in return for granting a loan.

Mortgagor
The borrower in a mortgage agreement.

Net Worth
The value of all assets minus the amount of all liabilities. It is often used as a measure of financial strength.

Non Liquid Asset
An asset that cannot easily be converted into cash.

Non-Obligated Borrower
Spouse or other individual who has a vested interest in a property and is not going to sign on the loan. By signing non-obligated, they are authorizing the other party to use the equity in the home as collateral for a loan. The non-obligated party is required to sign the following documents at closing: HUD-1, Deed of Trust, Notice of Right to Cancel, Truth-in-Lending. The non-obligated party is not responsible to make payments should you default the loan.

Non-Owner Occupied
An investment property for an individual. You do not live in this particular property but rent it out for an additional home.

Note
A legal document that obligates a borrower to repay a mortgage loan at a stated interest rate during a specified period of time.

Origination Fee
A fee paid to a lender for processing a loan application. The origination fee is stated in the form of points. One point is 1 percent of the mortgage amount.

Owner Occupied
The home that you live in.

Owner's Fee Policy
A title insurance policy guaranteeing that the buyer of a property enjoys free and clear title at the time the deed is filed for record. This policy goes beyond the title guarantee by protecting the buyer against defects which might not have been of record at the time the title search was performed. In some areas, it is customary for the seller to provide the buyer with an owner's policy and for the seller to pay for this policy. In other areas, if the buyer desires an owner's policy, he or she must pay for it. It shows the location of the land, its dimensions and any improvements on the land. It also checks for easements of record, encroachments and building line violations.

TERMS YOU NEED TO KNOW, CONTINUED

Payment Change Date
The date when a new monthly payment amount takes effect on an adjustable-rate mortgage (ARM) or a graduated-payment mortgage (GPM). Generally, the payment change date occurs in the month immediately after the adjustment date.

Periodic Rate Cap
A limit on the amount that the interest rate can increase or decrease during any one adjustment period, regardless of how high or low the index might be.

PITI
An acronym for the components of a monthly mortgage payment. It stands for Principal, Interest, Taxes and Insurance.

PITI Reserves
A cash amount that a borrower must have on hand after making a down payment and paying all closing costs for the purchase of a home. The principal, interest, taxes, and insurance (PITI) reserves must equal the amount that the borrower would have to pay for PITI for a predefined number of months (usually three).

Points
A one-time charge used to “buy down” the interest rate on a loan. Each point is equal to 1% of the mortgage amount. For example, if a lender charges one point on an $80,000 loan, this amounts to a charge of $800.

Pre-Approval
The process of determining how much money you will be eligible to borrow before you apply for a loan.

Prepaid Interest
Interest due on the full amount of the principal for the period from the date of settlement to the beginning of the period covered by the first monthly payment.

Prepayment
The payment of a mortgage loan before it is due.

Prepayment Penalty
A penalty charged by a lender to a borrower for paying off a mortgage loan before maturity.

Prime Rate
The interest rate that banks charge to their preferred customers. Changes in the prime rate influence changes in other rates, including mortgage interest rates.

STONEGATE MORTGAGE

TERMS YOU NEED TO KNOW, CONTINUED

Principal
The amount borrowed or remaining unpaid. The part of the monthly payment that reduces the remaining balance of a mortgage.

Principal Balance
The outstanding balance of principal on a mortgage not including interest or any other charges.

Private Mortgage Insurance (PMI)
Mortgage insurance provided by a private mortgage insurance company to protect lenders against loss if a borrower defaults. Most lenders generally require MI for a loan with a loan-to-value (LTV) percentage in excess of 80 percent.

Purchase Agreement
A written document in which the purchaser agrees to buy certain real estate and the seller agrees to sell under stated terms and conditions.

Purchase Price
The amount of money paid to buy a property.

Qualifying Ratios
Calculations used to determine if a borrower can qualify for a mortgage. They consist of two separate calculations: a housing expense as a percent of income ratio and total debt obligations as a percent of income ratio.

Rate Lock
A commitment issued by a lender to a borrower or other mortgage originator guaranteeing a specified interest rate and lender costs for a specified period of time.

Seller Concessions
Pertains to purchase money deals. When the seller is willing to pay some or all of the closing costs.

Servicer
An organization that collects principal and interest payments from borrowers and manages borrowers' escrow accounts. The servicer often services mortgages that have been purchased by an investor in the secondary mortgage market.

Settlement
The final closing in which real property is transferred and proceeds are disbursed.

Settlement Statement
The financial disclosure, often called the HUD-1 Settlement Statement, which includes an itemized list of the services provided to you and the fees charged to you. This form (developed by the U.S. Department of Housing and Urban Development) is filled out by the settlement agent who will conduct the settlement. In parts of the country where the settlement agent does not require a meeting, the statement will be mailed or delivered as soon as practical after settlement. No advance inspection is required.

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Standard Payment Calculation
The method used to determine the monthly payment required to repay the remaining balance of a mortgage in substantially equal installments over the remaining term of the mortgage at the current interest rate.

Subject Property
The home being used as collateral for the loan.

Survey
A lot drawing performed by a surveyor which locates the house and other buildings on the lot described in the legal description of the property. It shows the location of the land, its dimensions and any improvements on the land. It also checks for easements of record, encroachments and building line violations.

Tax Proration
The distribution of seller's proceeds to the buyer to cover county taxes which are owed but not payable at the time of the title transfer.

Tax Reserves
Funds, collected as part of the monthly mortgage payment, which are held by the lender on behalf of the borrower. These funds are used by the lender to pay the borrower's semi-annual real estate taxes.

Term
The amount of time between the start date and the termination date of a note, mortgage or other legal document.

Third-party Origination
When a lender uses another party to completely or partially originate, process, underwrite, close, fund, or package the mortgages it plans to deliver to the secondary mortgage market.

Title
The right of ownership, control and possession of property.

Title Guarantee
The guarantee to a purchaser by an independent title company performing a title search that there are no liens of record which would cloud the title to a newly acquired real property.

Title Insurance
A policy that protects the purchaser, mortgagee or other party against losses due to defects in title.

STONEGATE MORTGAGE

TERMS YOU NEED TO KNOW, CONTINUED

Title Search
A search by an independent title company for liens or encumbrances which could affect passing clear title from the seller to the buyer.

Total Expense Ratio
Total obligations as a percentage of gross monthly income including monthly housing expenses plus other monthly debts.

Trade Lines
Active accounts that appear on your credit report.

Treasury Index
An index used to determine interest rate changes for certain adjustable-rate mortgage (ARM) plans. Based on the results of auctions that the U.S. Treasury holds for its Treasury bills and securities or derived from the U.S. Treasury's daily yield curve, which is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market.

Truth-in-Lending
A federal law that requires lenders to fully disclose, in writing, the terms and conditions of a mortgage, including the annual percentage rate (APR) and other charges.

Underwriting
The process of evaluating a loan application to determine the risk involved for the lender. Underwriting involves an analysis of the borrower's creditworthiness and the quality of the property itself.

VA Mortgage
A mortgage that is guaranteed by the Department of Veterans Affairs (VA). Also known as a government mortgage.

Vesting
Relates to title searches. Shows who the legal owners of a home are.

Verification of Employment (VOE)
This form is completed by an employee if your current or former employer. The VOE supplies First Option with important information of you which would include but not limited to: hire date, salary, hourly income, position, likelihood of continued employment.

Verification of Loan (VOL)
This form is completed by a banking individual if you on a specific loan that may not appear on a credit report or requires further information.

STONEGATE MORTGAGE

TERMS YOU NEED TO KNOW, CONTINUED

Verification of Mortgage (VOM)
This form is completed by your current or former mortgage holder. The VOM supplies important information of you which would include but not limited to: the mortgage balance, monthly payments, pay habits/history, and next due date.

Verification of Rent (VOR)
This form is completed by your current or former landlord. The VOR supplies First Option with important information from you which would include but not limited to: monthly rent payments, pay habits/history, and next due date.

STONEGATE MORTGAGE

HOME LOAN FAQS

As a first-time home buyer, we understand you will have many questions regarding the loan and home buying process, and we're here to help to answer those questions.

THE LOAN APPLICATION PROCESS

Q. How do I get the mortgage process started?
The first step in the mortgage process is to be pre-approved. Pre-approval can be obtained by applying through Stonegate's website at https://www.stonegatemtg.com/apply.aspx, or by calling our toll-free application line at 1-866-925-5771. An application interview by phone typically takes about 30 minutes. Once you submit your information it will be stored in Stonegate's lead system and you will be assigned to an individual Mortgage Advisor. As the process continues you will receive email notifications each step of the way.

Q. Is there a cost to apply? If so, how much?
Any up-front fees such as an appraisal or application fee that may apply to your request will be disclosed to you as part of the application process and collected following your receipt of the early Truth-in-Lending disclosure and your approval to continue with the application. A fee for the cost of a credit report will be collected should you decide to use Stonegate as your lender; however, if you have your credit pulled but decide not to use Stonegate, this fee is waived.

Q. How long does it take to obtain pre-approval?
Depending on your credit history, down payment or equity in your home, and the loan program selected, the average number of days from application to pre-approval will vary per individual basis but can occur in as little as 24 hours.

Q. What might delay approval of my loan?
If you provide complete, accurate information, the loan process should run smoothly. If the underwriter discovers credit problems, however, there could be delays. Make sure you notify us if you change jobs, increase or decrease your salary, incur additional debt or change marital status between the time you submit an application and the time the loan is funded.

Q. How long will it take to close after I am pre-approved?
Once you've been approved, 30-45 days from application to closing is typical. However, this timeframe can be as little as 15 business days, so ask your Mortgage Advisor about your specific loan conditions.

Q. What documents will I need to apply for a mortgage?
Traditional loans usually require documents that verify your employment, income and assets. For a complete list, visit our homepage at www.stonegatemtg.com and click on the Application Checklists link.

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HOME LOAN FAQS, CONTINUED

Q. What is the difference between pre-qualification and pre-approval?
Pre-qualification is the method of determining the maximum amount a prospective home buyer will be eligible to borrow before the loan application process occurs.

Pre-approval allows you to get approved for a specific loan amount prior to finding the home you want to purchase. The loan is underwritten and the lender commits to a specific loan amount. Pre-approval can provide a great advantage when negotiating the purchase price of a home, as most sellers will give preference to a buyer who has been pre-approved for a loan.

Q. How much do I need for a down payment?
There is no set amount. In fact, you might be surprised to learn that many first-time home buyer programs offer little to zero (0 - 3.5%) down payment options. Today, there are many loan programs that can be tailored to fit your needs and financial resources. Keep in mind that for down payments of less that 20%, private mortgage insurance (PMI) may be required.

Q. What is the minimum down payment for conventional, FHA and VA loans?
While conventional loans (those not backed by a government agency) usually require a minimum down payment of 5%, Stonegate Mortgage has low-down payment programs available.

For example:

- FHA mortgages, insured by the Federal Housing Administration, are available for as little as 0 - 3.5% down.
- VA mortgages, guaranteed by the Department of Veterans Affairs, have a no-down payment option for eligible veterans buying a home.

Please contact a Mortgage Advisor for specific down-payment requirements and programs.

Q. How much money will be required at closing?
The amount of money needed for cash to close is comprised of your down payment, closing costs, as well as the prepaid items for your initial taxes and insurance escrow accounts. Stonegate will provide you with a Fees worksheet outlining the estimated costs at the time of application. Then, typically within 24 hours prior to your closing, you will be provided with the final sum of money required for the closing through a HUD I settlement statement.

STONEGATE MORTGAGE

6 QUESTIONS TO ASK YOUR MORTGAGE ADVISOR

At Stonegate Mortgage, we feel a well-informed client is likely to be more satisfied with the loan process. So we've provided a list of questions below that should be asked of any lender when applying for a home loan.

1. What is the interest rate on this mortgage?
To determine exactly what you'll pay over the term of the loan, you need to know the rate. Rates change quickly, and there are several factors such as your credit score and the value of the property you are purchasing vs. the amount of the loan (LTV), that will affect the rate you qualify for.

2. How many discount and origination points will I have to pay?
You have the option to pay prepaid mortgage interest points to lower your interest rate. Ask your Stonegate Mortgage Advisor to clarify these costs and how they will impact your interest and payment amounts.

3. What are my closing costs?
Mortgages come with fees for various services provided by lenders and other parties involved in the transaction. You want to know what those fees will be as early as possible. Stonegate will provide you an initial Fees worksheet within three days of receiving a loan application, along with a written Good Faith Estimate (GFE) of closing costs 24 hours prior to your closing. Beware of any lender who is unwilling to do so!

4. When can I lock in the interest rate and what will it cost me to do so?
Your interest rate may fluctuate between the time you apply and closing. To prevent it from going up, you may want to lock in the rate, and even points, for a specified period. Ask your Mortgage Advisor if lock-in fees apply.

5. What is the minimum down payment required for this loan?
The rate and terms of your loan will be based on a down payment figure, typically 5 to 20 percent of the purchase price. However, some loan programs allow for little to no down payment (0 - 3.5%) options. If you can put more money down, you may be able to lower your rate and improve your terms; if you come up short, you may be required to purchase private mortgage insurance (PMI).

6. What are the qualifying guidelines for this loan?
These requirements relate to your income, employment, assets, liabilities and credit history. First-time home buyer programs, VA loans and other government-sponsored mortgage programs typically offer easier qualifying guidelines than conventional loans.

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SELECTING THE BEST LOAN

Q. What is a conventional loan?
A conventional loan is a fixed rate loan over a specific time frame. It's secured by a mortgage or deed of trust with an acceptable loan-to-value (LTV) ratio range and is not guaranteed by VA or insured by FHA, FMHA or State Bond agencies.

Q. What is a jumbo loan?
A jumbo loan is a conventional loan that exceeds the maximum agency (Fannie Mae, Freddie Mac) mortgage amount guidelines for a conventional loan.

Q. How do I know what loan is best for me?
Review your current situation and future goals, and then answer these questions by yourself or with your Mortgage Advisor to help determine the best options for you:

- How long do you expect to stay in the house?
- Which is more important: low monthly payments or low closing costs?
- Will my income increase or decrease in the next three years?
- How comfortable are you with your monthly payment potentially increasing?

Everyone's situation is different. Most people will benefit from either consulting by phone or in person with a mortgage professional who is committed to discovering your needs, and helping you match those needs with a mortgage product that's right for you.

Q. What is the difference between a fixed rate and adjustable rate mortgage (ARM)?
With a fixed rate mortgage, the interest rate and payment remains constant over the life of the loan. With an adjustable rate mortgage, the interest rate can either increase or decrease, based upon the terms of the loan. This could cause the monthly payments to increase in order to have the loan paid in full by maturity.

MONEY, RATES AND FEES

Q. What are closing costs?
Closing costs are fees and expenses that both the buyer and seller must pay at closing.
They generally include:

- discount point(s)
- appraisal fee
- credit report
- title search
- recording fees
- other costs (as they pertain to your specific loan program)

STONEGATE MORTGAGE

Q. How much money will be required at closing?
The amount of money needed for cash to close is comprised of your down payment, closing costs, as well as the prepaid items for your initial taxes and insurance escrow accounts. Stonegate will provide you with a Fees worksheet outlining the estimated costs at the time of application. Then, typically within 24 hours prior to your closing, you will be provided with the final sum of money required for the closing through a Good Faith Estimate (GFE).

Q. Will Stonegate include my closing costs in the loan amount?
On a purchase transaction, you typically cannot finance your closing costs into the loan amount. However, there are special programs that may allow you to finance some, or all, of the costs by agreeing to a slightly higher interest rate. See your Stonegate Mortgage Advisor for details.

Q. What is an escrow account?
An escrow account is maintained by the lender to collect funds from the borrower in order to pay the taxes, property insurance and mortgage insurance (if applicable) due on the loan.

Q. Which is better: a fixed or adjustable interest rate?
If you plan to be in your home for more than seven years, you may want to consider a fixed rate mortgage, which offers predictable payments and long-term protection against rising mortgage interest rates. If you plan to be in your home for seven years or less, an adjustable rate mortgage could be attractive. Keep in mind that with an adjustable rate mortgage, your monthly payments have the potential to go up each time your interest rate adjusts.

Q. When should you pay discount points?
When you pay a discount point, you are essentially paying part of your interest to the lender up front. This will lower your interest rate — as well as your monthly payment — over the life of the loan. One discount point is typically equal to 1% of the loan amount. For example, one point on a $100,000 loan would require payment of $1,000 at closing. Generally speaking, the longer you plan to remain in a property or hold your mortgage, the more advantageous it is to pay points. There is no requirement to pay discount points; whether or not you decide to pay points is completely up to you.

Q. How can I determine what mortgage amount I might be eligible for?
Based on your income, your current debts and estimated down payment, your lender can usually help you determine the maximum mortgage amount for which you could qualify. For a "prequalification analysis" you may call Stonegate's toll-free number at 1-866-925-5771 to speak with a Mortgage Advisor. You may also reference the mortgage calculator on our homepage at www.stonegatemtg.com by selecting the Mortgage Calculator link in the Resource Center.

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Q. What is title insurance?
Title insurance provides the lender and the buyer (if you purchase owner's coverage) with coverage for losses resulting from specific title defects listed in the policy. In cases where land and property have changed hands over time, there is always the possibility an error has occurred. If an error has occurred, it may be that someone else may be in title to or have an interest in the property, improvements encroach on property lines or that other similar problems may exist. In these scenarios, if you do not have title insurance you could lose your investment in your home. Lenders require "lender's coverage" to protect their investment and it only protects the lender. Owner's coverage is optional and provides separate coverage for the borrower.

Q. Does Stonegate Mortgage require title insurance for purchase transactions?
Yes, a Mortgagee's Title Insurance Policy will be required on purchase transactions.

Q. What is PMI and why is it required?
Private mortgage insurance (PMI) is insurance for conventional loans written by a private company that protects the lender from losses in the event the borrower defaults on the mortgage. Borrowers are required to pay the premium for private mortgage insurance. Private mortgage insurance limits a lender's exposure to financial loss resulting from loan default. If you make a down payment of less than 20%, even if you have a good credit profile, lenders generally require private mortgage insurance for conventional loans.

Q. How long will I be required to have PMI on my loan?
The Homeowner's Protection Act of 1998 allows borrowers whose loans originated after July 29, 1999, to request cancellation of PMI at 80% loan-to-value (LTV) based on amortization, or actual payments, if the borrower has a good payment history, if the borrower provides evidence the property value has not decreased, and certifies there are no subordinate liens on the property.

Lenders are required to terminate borrower paid PMI at 78% LTV based on the amortization schedule if the loan is current. If none of the above is done, PMI will terminate automatically at the midpoint of the loan term.

Q. What is the minimum down payment required by a lender in order to eliminate PMI?
Typically, on a primary residence, the minimum that you need to put down to eliminate PMI is 20%. If you are putting less than this down, but wish to avoid PMI, your lender may have alternative products and pricing options they may provide in lieu of PMI.

Q. What is a rate lock?
This lock gives you protection from financial market fluctuations in interest rates by setting the range of pricing available to you. Your final rate, which may not be determined until closing, will reflect the pricing that was available at the time you locked for loans with your specific transaction characteristics and your credit profile. While locking does not guarantee that a specific rate will apply, it does ensure that your loan pricing will not be affected for a set period of time by changes in financial market conditions.

HOME LOAN FAQS, CONTINUED

Q. When can I lock in my rate?
You can lock or float your interest rate at any time during the process of your loan. Your Mortgage Advisor will discuss these options with you upon taking your loan application.

Q. How long is my rate lock valid?
Depending on the type of transaction and the time you need, lock periods can be valid anywhere from 15 to 180 days.

Q. How much do I need for a down payment?
There is no set amount. In fact, you might be surprised to learn that many first-time home buyer programs offer little to zero (0 - 3.5%) down payment options. Today, there are many loan programs that can be tailored to fit your needs and financial resources. Keep in mind that for down payments of less that 20%, private mortgage insurance (PMI) may be required.

Q. What is an origination fee?
The origination fee, if charged by the lender, is typically 1% of the loan amount you borrow and is used to cover expenses during the process of the loan.

Q. What is a discount point?
A discount point is paid to the lender to permanently buy down or lower an interest rate. It is usually a percentage of the loan amount.

Q. May I pay additional discount points to reduce my interest rate?
Yes, most lenders will allow you to pay additional discount points to lower your interest rate.

Q. How are rates determined?
Rates are determined by the financial markets. These rates can change daily or even more than once within the same day. The changes are based on many different economic indicators in the financial markets. To obtain current interest rates, contact your Stonegate Mortgage Advisor.

Q. How can I compare different loan offers when shopping for a mortgage?
When shopping, compare loan terms, settlement charges and the Annual Percentage Rate (APR). The APR, which is usually higher than the interest rate, expresses the total cost of the mortgage as an ongoing annual rate and includes certain fees, discount points, closing costs and other expenses that are charged on your loan. Although one lender may have a slightly lower rate, they may charge more fees, and hence have the same APR as a lender with the slightly higher rate.

STONEGATE MORTGAGE

Q. What is the difference between APR and interest rate?

The APR (annual percentage rate) reflects the cost of your mortgage loan as a yearly rate. It takes into account interest, discount points paid on the loan, any fees paid to the lender for making the loan, and any mortgage insurance premiums you may have to pay. The interest rate is the actual note rate, which is used to determine the monthly principal and interest payment.

Q. Why is the Annual Percentage Rate (APR) on the Truth-in-Lending disclosure higher than the rate shown on my mortgage note?

The APR reflects the cost of your mortgage loan as a yearly rate. This rate is generally higher than the rate stated on your mortgage note because, in addition to the interest rate, APR includes prepaid interest, discount points paid on the loan, any fees paid to the lender for making the loan, and any mortgage insurance premiums you may have to pay. The APR allows you to compare, in addition to the interest rate, the total cost of financing your loan, among various lenders.

Q. What is prepaid interest?

This is the interim interest that accrues on the mortgage loan from the date of the loan closing to the beginning of the period covered by the first monthly payment. For example, if your closing date is scheduled for June 15, the first mortgage payment is due August 1. The lender will calculate a per-day interest amount that is collected at the time of closing. This amount covers the interest accrued from June 15 to July 1.

Q. What is the difference between 'locking' and 'floating'?

A lock gives you a specified period of time of protection from financial market fluctuations in interest rates by setting the range of pricing available to you. Your final rate, which may not be determined until closing, will reflect the pricing that was available at the time you locked for loans with your specific transaction characteristics and your credit profile. While locking does not guarantee that a specific rate will apply, it does ensure that your loan pricing will be unaffected during the lock-in period by changes in financial market conditions.

If you choose to "float" or defer "locking," your rate will fluctuate with the market and will be subject to both upward and downward movements in the market. The benefit to floating is if interest rates were to decrease, you would have the option of locking in at a lower level of rates.

Q. Which mortgage and homeowners costs are tax-deductible?

Three types of mortgage and homeowners costs may be tax-deductible: discount points, interest paid on a home loan or home equity loan and property taxes. After the year of sale, your mortgage interest and annual property taxes are the only deductible costs. For a refinanced loan, points must be deducted over time. Consult your tax advisor for advice about your situation.

STONEGATE MORTGAGE

Thank You!

Thank you, again, for downloading ***"The Essential Kit for First-Time Home Buyers"***.

We hope you have found this information helpful and feel prepared to purchase your first home.

If you have additional questions, or are ready to move forward in the home-buying process, contact a local Stonegate Mortgage Advisor today at www.stonegatemtg.com or call 1-866-925-5771.

We look forward to working with you in this exciting journey!

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