WHAT YOU NEED TO KNOW TO MAKE YOUR HOME OWNERSHIP DREAMS COME TRUE.

First National Bank

Make your home ownership dream a reality.

Buying your first home is an exciting time and First National Bank is here to help make that experience as rewarding as possible. Buying a home is one of the most significant purchases you'll make and we want to help you find the right loan for your situation.

First National Bank's First Time Home Buyers Guide is designed to help you learn about the process of buying a home and provide you information on choosing a home and mortgage that fit your needs. If you have any questions, our mortgage loan officers are available to help you in person, on the phone or online.

When you are ready to apply, we have choices for you:

- Online - www.TheFirst.com
- Phone - contact a mortgage loan officer near you at 800.564.3195
- In Person - stop by your local branch

Home Buyer Education Courses

Owning a home is a significant investment, so you'll want to make your decision carefully. If you're looking for more detailed information, it may help to participate in a First Time Home Buyer class offered by a non-profit agency in your community.

Finding a local non-profit agency can help you prepare for the home buying process. Most agencies provide group seminars and one-on-one interviews. It is important that you find a certified education program to ensure the information that you receive is accurate.

Below are three organizations that provide accreditation for non-profit home buying programs. These links will direct you to agencies in your community:

- National Foundation for Credit Counseling - the nation's largest and longest serving national non-profit credit counseling network, with more than 100 member agencies and nearly 850 offices throughout the country. **www.nfcc.org**

- NeighborWorks America - a national network of more than 240 community development and affordable housing organizations throughout the country. **www.nw.org**

- MGIC, a private mortgage insurance company, offers a Home Buyer Education program with testing and certification for First Time Home Buyers. Learn more at **http://homebuyers.mgic.com/**

- Freddie Mac, established by Congress in 1970 to help stabalize the nation's residential mortgage market, has several education resources at **http://www.freddiemac.com/creditsmart/consumer_training.html**

- Maine hoMEworks is a comprehensive homebuyer education course valuable to anyone considering a home purchase and is often required for some mortgage loan programs. The 10-hour course fulfils HUD's homebuyer education program requirements and is taught by approved housing counseling agencies located in Maine. For more information visit **www.mainehomeworks.org.**

Deciding if home ownership is right for you

Buying a home isn't for everyone and it's important to know the benefits of owning a home versus renting in order to determine what's right for you.

Reasons to rent:

- *Flexibility* - by not being locked into the equity of a home, you can explore different areas without committing to just one, as well as have the flexibility to react more quickly to unexpected career or income changes.
- *Improving your Credit* - by making on-time rental payments and building a positive credit history, you can build the credit you need to qualify for a mortgage.
- *No Maintenance* - household maintenance is the responsibility of the landlord
- *Incidental Expenses* - when renting, many utilities may be covered by the landlord, such as water, sewer, garbage and, in some cases, heat and hot water.

When renting, it's important to be aware of unpredictable rent fluctuations. This can often make long-term budgeting more difficult.

Preparing For Homeownership

For most people, the American dream is to own their own home. You can make it happen, and becoming as knowledgeable as possible about the home buying process, and what to expect, will help you reach your goal of home ownership with the least amount of obstacles.

First, we will help you determine if homeownership is right for you, and whether or not you can afford to buy a home at this time. We will also help you determine your budget for buying a home, as well as what mortgage lenders look for in securing mortgage loans. We will explain how first time home buyers and low – and moderate-income households can extend their borrowing power with a number of flexible mortgage programs.

Are you ready to buy a home?

What is the reason homeownership is appealing to you? Buying a home is not something you just do, it's something that needs to be well thought out, because homeownership necessitates an investment of time and money.

Why buy a home?

Here are some advantages to owning your own home.

Your own home

A home is a place that belongs to you. At this point in time you are probably prepared to settle down and become a permanent part of your community. Maybe you need more room in which to raise a family. Or, perhaps you want more breathing space than you get in a rental unit.

Financial benefits of buying a home

Buying a home can be an excellent investment for a number of different reasons.

Steady housing costs. Another benefit of owning a home is that while rents normally increase yearly, the principal and interest portions of "fixed-rate" mortgage payments remain unaffected throughout the entire repayment period, that is 30 years for a 30-year fixed-rate mortgage.

Increased value. Houses can increase in value, or "appreciate" over a period of time. A house sold for $75,000 ten years ago in certain parts of the country is worth much more today. This increase in value is as good as money deposited in the bank to the homeowner.

Scheduled savings. When you buy a house, your monthly mortgage payments build up what lenders call "equity", an ownership interest in the property that you can borrow against or convert into cash by selling the house. Renters must keep on paying rent, without the chance to accumulate equity, the entire time they rent.

Tax incentives. Owning a home can enable you to take advantage of significant tax breaks, which are not offered to renters. Interest paid on a home mortgage is usually deductible. This alone may save you a considerable amount each year in federal income taxes.

Possible Disadvantages of Buying a Home

In spite of all its appeal, homeownership is not for everybody. Buying a home involves a complicated, time-consuming, and costly procedure that sometimes carries with it unwelcome responsibility.

High cost of homeownership

Buying a home may cause a substantial strain on your finances. For the first several years, you should expect to pay more for housing as a home buyer than as a renter. Property taxes, homeowner's insurance, utilities, and upkeep added to your mortgage payment can be more than you would pay for rent.

Possibility of foreclosure

Foreclosure is the sale of a mortgaged property (your home) by the mortgage lender. This happens if the borrower fails to give monthly mortgage payments on a timely basis or otherwise defaults on the mortgage.

Financial institutions can and do foreclose when borrowers fail to make their payments. This can result not only in the loss of your home, but also in the loss of your investment and good credit mark.

Repairs and maintenance

People retreat from buying a home because they don't want the responsibility of maintaining a home (mowing the lawn, repairs, etc.).

Can you afford to buy a home?

If you feel you're ready to buy a home, you need to consider if you can afford to buy one. You don't want to overextend yourself to the point that you can't keep up with your mortgage payments and risk losing your home.

Evaluating your current expenses

Most first time home buyers find that after the monthly mortgage payment, moving costs, immediate repairs, property tax, and insurance, they find that the amount is higher than their previous rent.

If you have money left over at the end of each month after paying your bills, you're probably able to buy a house. If not, budgeting your money could allow you to cover the cost of homeownership.

Most expenses are largely fixed such as car payments, taxes, insurance. Others are flexible, meaning you decide how much money will be spent on them, such as entertainment and clothes.

Determining how essential it is to own a home is very important. Would you be willing to postpone some purchases, and spend less in other areas?

A good measuring stick to see if you're ready to buy a home is to put aside the amount of money you would be willing to pay a month over the cost of your current housing cost. If you can do this, you're probably ready to buy a home.

The Costs of Buying a Home

There are two types of main costs involved in buying a home.

- Up-front costs (the down payment and closing costs)
- Ongoing costs (monthly mortgage payment, homeownership expenses).

Up-front costs. Up-front costs consist of the down payment, a variety of closing (or "settlement") costs, and the costs of moving and settling into your new home.

Down payment. Most first time home buyers depend on a mortgage from a financial institution to buy a home. Nearly all mortgage programs require that you give some part of your own funds (the down payment) included in the deal. If you have some of your own money involved, mortgage lenders are more secure that you won't walk away from it if your finances go down.

Customarily, the lenders would expect the buyers to make a down payment of at least 20 percent of the buying price of the house. At present, buyers can pay as little as 0 to 5% down provided they purchase private mortgage insurance (PMI), which helps protect the lender in case the borrower fails to pay off the loan.

Closing costs. Home buyers must be ready to pay several additional up-front costs incurred in purchasing a house, along with the down payment. Called "closing costs", these expenses generally range from 3-6% of the mortgage amount. If you were to buy a $175,000 house with a 5% down payment ($8,750), you could expect to pay between $4,987 to $9,975 for your $166,250 mortgage. Closing costs will vary from mortgage loan program to mortgage loan program.

Settling-in costs. There will also be cost involved in moving and settling into your new home. The house may need major repairs, or you might want to purchase new appliances. Just remember these costs so you don't spend all your funds on the buying a home.

Ongoing costs of buying a home. A renter's only ongoing cost is a monthly rent payment. For homeowners, ongoing cost consist of a monthly mortgage payment, property taxes, homeowner's insurance, mortgage insurance (if required by the mortgage lender), and utilities and maintenance.

Monthly mortgage payment. Every mortgage payment contains both the repayment of a portion of the principal and the interest. Mortgage lenders refer to payments of principal and interest as "P&I." Your total monthly payment relies on the amount you borrow, the interest rate, the repayment period (or "term"), and whether you have a fixed-rate or an adjustable-rate mortgage.

Taxes and insurance. In some cases, a home buyer's monthly mortgage payment contains the amount required to repay a part of the principal and accrued interest (P&I), and an extra amount for property taxes, homeowner's insurance and private mortgage insurance. The mortgage lender holds these additional amounts in an individual "escrow" account and then pays the tax and insurance bills when they come due. The mortgage lender ensures that these annual expenses will be paid on time. If taxes and insurance are not escrowed each month, the homeowner should be prepared to pay off these bills when they come due.

Other costs of homeownership. Other ongoing costs of owning a home consist of utilities (gas, water and electricity) and maintenance costs. First-time home buyers aren't prepared for how expensive basic upkeep is. The cost of utilities may differ greatly (increasing during the winter, dropping in summer), Unexpected repairs also add to the cost making it necessary that homeowners always have available cash on hand.

What Can You Afford?

An often quoted rule of thumb says you can afford to buy a home that cost up to two and a half times your annual gross income (before taxes). If you are planning to buy a home with another person (spouse, parent, adult, child, sibling), you can add their annual gross income to yours to determine the price when buying a home. Keep in mind that your buying partners credit history will also be taken into consideration, and they will also be responsible for repayment of the mortgage loan.

In the end, buying a home comes down to two things:

- How much you have available for the down payment
- How much a financial institution will allow to lend you

Your down payment

For first time home buyers, the price of a home is dictated by the amount of money they have put aside for a down payment. If you haven't been saving money to buy a home you may want to begin putting money aside from every paycheck.

Your borrowing power

Other than your down payment, the main factor limiting the price of your house will be how much you can borrow. When applying for a mortgage loan, the mortgage lender will largely consider two factors in deciding how large a loan to allow you:

- Earnings
- Existing debt

Lender's qualifying guidelines

The mortgage lender considers your debt-to-income ratio, which is a comparison of your gross (pre-tax) income to housing and non-housing expenses.

Non-housing expenses include such long-term debts as car or student loan payments, alimony, or child support.

Generally accepted lending practices state monthly mortgage payments when buying a home should be no more than 29% of gross income, while the mortgage payment, combined with non-housing expenses, 4 should total no more than 41% of income.

The lender also considers cash available for down payment and closing costs, credit history, etc. when determining your maximum loan amount.

Pre-qualifying

Pre-qualification is an informal way to see how much you maybe able to borrow. You can be 'pre-qualified' over the phone with no paperwork by telling a lender your income, your long-term debts, and how large a down payment you can afford.

Without any obligation, this helps you arrive at a ballpark figure of the amount you may have available to spend when buying a home.

Your gross income. All these sources count as income, your gross income is all of your income added up before taxes.

- Seasonal pay
- Child support
- Retirement pension payments
- Unemployment compensation
- VA benefits
- Military pay
- Social Security income
- Alimony
- Rent paid by family
- Part-time pay
- Overtime, and bonus pay also count as long as they are steady.

Your debt payments. Mortgage lenders will also take into account your existing debt in determining how large a mortgage you can apply for. If monthly debt payments are too much for your income level, this will decrease the amount you can borrow to buy a house. For every $60 of "excess debt", you can expect about $6,000 reduction in the amount of mortgage you qualify for. Consider paying off a portion of your debt in preparation for buying a home if your debts are excessive.

Your credit record. A mortgage lender will order a credit check to assess your request for a loan. The credit report gives mortgage lenders record of debts owed and duly repaid. Mortgage lenders verify the amount of debt you currently have, as well as the amount of credit available to you.

You can ask for your credit profile from a credit reporting agency.

Credit Reporting Companies	
Company Name	**Phone Number**
Experian	888.524.3666
Equifax	800.685.1111
Trans Union	800.916.8800

Establishing a credit history. If you do not have a traditional credit record, it is still possible to set up a credit history that illustrates payments made on credit card purchases, a car loan, or a student loan. You can develop a nontraditional credit history by keeping a record of these monthly payments:

- Rent
- Electric
- Gas
- Water
- Telephone
- Cable or satellite television companies
- Medical insurance
- Automobile insurance
- Life insurance

Repairing a bad credit report background. If your credit report has bad marks on it or you are presently having credit problems, you may not be in a position to buy a home until they are resolved. Your record of keeping current on your debt payments may be credible if your credit problems are in the past. By law, the most unfavorable credit information should be dropped from your credit file after seven years, a bankruptcy should be dropped after ten years.

Correcting an erroneous credit profile. Sometimes credit reports are incorrect or provide misleading picture of past credit problems that have since been resolved. If any errors appear on your credit report, you will have the chance to get them fixed before applying for a mortgage.

Types of Homes

There are a lot of different homes to choose from, it can be tough to know which is the best fit for you. Many factors determine the ideal house for each buyer including desired features and benefits, life stage and how many improvements you're willing to make. Here are some of the common types of houses and their pros and cons.

Single-Family Homes. These detached homes (houses sit on their own lot) come in one (ranch), two and three-level styles. Their exterior appearance can be Contemporary, Colonial, Tudor, Victorian or Georgian. As the name implies, single-family homes are ideal for families, especially those with children. Privacy is an attractive characteristic of these homes, which may have a fenced back yard. On the other hand, you'll have to keep up with more maintenance than with other home types.

Condominiums. Condos are individually owned homes attached to one another in a building (like apartments), and feature common facilities, such as recreation areas and fitness rooms. Each condominium building belongs to an association of all its owners. The association determines the monthly assessment fees along with rules and regulations that govern the entire building. The association also decides on maintenance and improvements to the condo building. Like a single-family home, you build equity when you own a condo, but unlike a house, you have less maintenance. One drawback to a condo is that you typically have less privacy.

Townhouses. Whether they're one, two or three stories tall, townhouses (also called town homes or row homes) are typically vertical in design. Some even come with attached garages. They offer the privacy of single-family homes and some may have the added benefit of exterior condo maintenance, which may be done by a homeowners' association. Row houses are common in cities or urban areas where they sometimes even offer historical value. Many townhouses are built in what are called Planned Unit Developments (PUD), clustered communities that have areas for residential and commercial use, and public areas such as schools, parks and the like.

Fixer-uppers. These are usually condos and single-family homes that are in need of extensive repairs, maintenance or updating. Fixer-uppers can usually provide good value to buyers who want to put some "sweat equity" into a property and add some personal touches. On the other hand, there can be additional costs due to defects in the home, such as foundation cracks or defective heating and air conditioning units. Have a professional check the home from top to bottom before you decide to buy it.

New-construction Homes. New construction housing allows you to design a home from top to bottom. You can pick your finishes, cabinets, bath fixtures and more. Some builders also allow you to move walls in pre-designed models and pick the lot within their community. Expect to pay more money for a new construction. Pre-construction typically offers you reduced pricing before a development or building gets underway. You need to be fairly creative to visualize your new home from floor plans, because there usually aren't models to view until the project gets started. If you decide to purchase new construction, make sure you research the developer or builders track record before you sign the purchase contract.

Green Homes. Green, or eco-friendly living, is blooming everywhere. According to the U.S. Green Building Council (USGBC), a green home uses building materials from recycled products, including woods such as bamboo that are quickly renewable. A green home uses less energy, water and other natural resources, and it should generate some of its own energy with solar panels or wind turbines. Inside, a green home's windows and doors are well-insulated, and paints, carpets and other materials do not emit volatile organic compounds. They also have cost-saving Energy Star lighting and appliances. Look for the USGBC's LEED certification, which means it meets sustainable construction standards.

Selecting a Real Estate Professional

The majority of real estate transactions take place with the assistance of a real estate professional - and for good reason. Working with a real estate professional is an efficient means of shopping for a home and can help make the home-buying process an easy, hassle-free experience.

A Real Estate Professional:

- Helps you assess your wants and needs to find a home that you can afford and that best suits you.
- Accesses the properties on the market in your desired area and price range that fit your individual home needs.
- May help you get a better price. Your real estate professional is a specialist in your area and knows the market well, which may help you better negotiate pricing.
- Negotiates for you. Once you have found the home you want to buy, your real estate professional will write up your purchase offer and present it to the seller. This gives you the best opportunity to have your contract accepted.
- Can help protect your rights. Real estate transaction have become increasingly complicated. Your real estate agent is there to assist you as a trained professional.

Making an offer

A written proposal is the foundation of a real estate transaction. When you're ready to take the leap toward homeownership, you'll need to enter into a written contract, which starts with your written proposal. This proposal not only specifies price, but all the terms and conditions of the purchase. For example, if the sellers offer $2,000 toward your closing costs, be sure that's included in the written offer and in the final completed contract, or you won't have grounds for collecting later.

If you work with a real estate professional, he or she will answer any questions you may have and write up your purchase offer. If you are not working with a real estate professional, you'll need to draw up a purchase offer or contract that conforms to state and local laws and incorporates all of the terms of the purchase. State laws vary and certain provisions may be required in your area.

After the offer is drawn up and signed, it will usually be presented to the seller by your real estate professional, by the seller's real estate professional (if a different agent) or often by the two together. In a few areas, sales contracts area drawn up by the parties' lawyers.

What Your Offer Should Include

The purchase offer you submit, if accepted as it stands, will become a binding sales contract (known, in some areas as a purchase agreement, earnest money agreement or deposit receipt). Therefore, it's important that your purchase offer includes the following information:

- Address and sometimes a legal description of the property
- Sale price
- Terms - for example, all cash or subject to your obtaining a mortgage for a given amount
- Seller's promise to provide clear title (ownership)
- Target date for closing (the actual sale)
- Amount of earnest money deposit accompanying the offer, and whether it's a check, cash or promissory note, and how it's to be returned to you if the offer is rejected - or kept as damages if you later back out without good reason
- Method by which real estate taxes, rents, fuel, water bills and utilities are to adjusted (pro-rated) between buyer and seller
- Provisions about who will pay for title insurance, survey, termite inspections and other related expenses
- Type of deed to be given
- Other requirements specific to your state, which might include a chance for attorney review of the contract, disclosure of specific environmental hazards or other state-specific clauses
- A provision that the buyer may make a last-minute walk through inspection of the property just before the closing
- A time limit (preferably short) after which the offer will expire

Earnest Money

This is a deposit you give when making an offer on a house. A seller is understandably suspicious of a written offer that is not accompanied by a cash deposit to show "good faith." A real estate professional or an attorney usually holds the deposit. This will become part of your down payment, or returned to you if your offer is declined.

The Seller's Response to Your Offer

If the seller signs an acceptance of your written offer, as soon as you're notified, you will have a binding contract. If the offer is rejected, be sure to find out what the specific issues were with the offer and use your knowledge as you continue to search.

If the seller likes everything except the sale price, the proposed closing date, etc., you may receive a written counteroffer. You can accept or reject it or even make your own counteroffer. For example, "We accept the counteroffer with the higher price, except that we'd like the closing date to stay the same."

Each time either party makes any change in the terms, the other side is free to accept or reject it, or counter again. The document becomes a binding contract only when one party signs an unconditional acceptance of the other side's proposal.

Finding the right mortgage at First National Bank

We offer a number of first-rate mortgage products, and we can help you determine the one that best suits your needs. First National Bank is also a Maine State Housing Authority participating lender. Our lenders are registered with the Nationwide Mortgage Licensing System. We'll help you choose the mortgage that is right for you.

Type	Description
Fixed Rate	Ideal for purchase or refinance of your primary or secondary home. A wide variety of rates and term available! *Secondary Market* • Lowest available fixed rates from First National Bank • Competitive closing costs • Rapid decision making • Ability to lock rate *Portfolio/Jumbo - Fixed* • Competitive rates and closing costs • Fully underwritten and serviced by First National Bank • Rate guaranteed upon receipt of complete application
Adjustable Rate ARM	If you are looking for a low initial interest rate, consider an adjustable rate mortgage. These products are available in any amount for the purchase or refinance of a primary or secondary home. *1/1 ARM* • Lowest starting rate offered by First National Bank • Re-prices every twelve months • Fully underwritten and serviced by First National Bank • Rate guaranteed upon receipt of complete application *3/1 ARM* • Competitive rate • Low starting rate guaranteed for three years, re-prices annually thereafter • Fully underwritten and serviced by First National Bank • Rate guaranteed upon receipt of complete application *5/1 ARM* • Low starting rate guaranteed for five years, re-prices annually thereafter • Fully underwritten and serviced by First National Bank • Rate guaranteed upon receipt of complete application *7/1 ARM* • Low starting rate guaranteed for seven years, re-prices annually thereafter • Fully underwritten and serviced by First National Bank • Rate guaranteed upon receipt of complete application Rate changes for all ARMs are limited annually to 2% or 6% lifetime.
Construction	Building the home of your dreams? Partner with First National Bank to turn your blueprints into reality. • Competitive Rates and closing costs • Available for primary and secondary residences • Monthly interest-only payments based on the amount drawn • Construction periods of up to one year from date of closing • One-time closing package available
Maine State Housing Authority (MSHA)	A great option for a first-time home buyer meeting the eligibility requirements

Documentation You May Need

Personal Identification

- Passport
- Driver's License
- Birth Certificate
- Social Security number or tax identification number
- A copy of divorce decree or bankruptcy papers, if applicable

Financial and income documentation

- Proof of Income/Pay Stubs - a copy of your most recent pay stubs or awards letters for any Social Security income received
- W-2's - W-2 forms for the past two years will be requested from each employer you receive income from
- If you own a business, work on commission basis or have other income outside of your primary employment - the last two years of tax returns will be required

Additional documentation of income may be required:

- If your business is a corporation, include IRS Form 1120
- If your business is an S Corporation, include IRS Form 1120s and Schedule K1
- If your business is a partnership, include IRS Form 1065 and Schedule K1
- Investment/retirement income - complete account statements showing current market value of any investments you may have such as stocks, bonds, 401(k)s, IRAs or certificates of deposits
- Recent bank statements - bank account statements for the past few months may also be requested. If you have both checking and savings accounts, complete statements for both accounts should be submitted
- Copy of lease or rental verification - if you're a renter, a current lease or a form signed by the landlord may also be requested. As part of the underwriting process, First National Bank may contact the landlord to verify rent paid and whether or not it was paid on time

Property Documentation

- Copy of sales contract or purchase agreement - this will include address and description of the property and explain the major terms of sale

Proof of Insurance

- A copy of your homeowner's insurance declaration - this should be the first page of your homeowner's insurance policy packet with your information as well as the information of the insurer

The Application Process

Application	Your First Mortgage Loan Officer will meet with you to discuss your personal goals and financial situation. You'll review your mortgage options, discuss the mortgage application process and get answers to questions you may have. You can also apply online 24/7. If you have questions, our Mortgage Loan Officers are just a phone call away.
Processing	We'll assign a loan processor to your account to see your transaction through to the closing. This includes the verification of your financial information and collection of documents to satisfy the conditions of the approval.
Appraisal	We'll order the appraisal from a licensed appraiser who is familiar with home values in your purchase area. Depending on your finances and the loan amount requested, different types of appraisals are used. Sometimes the appraiser will need to view the interior of the home; sometimes they are able to do their evaluation from the street.
Underwriting	A mortgage loan underwriter reviews your financial profile and compares it to the guidelines for your chosen loan. Upon approval, you will receive a conditional approval of the mortgage terms and conditions.
Closing	A "closing" is a meeting of all the related parties to finalize the transaction. Prior to the closing, the closing agent will provide a copy of your settlement statement, so there won't be any surprises. At closing, paperwork associated with the transaction is signed and witnessed, and arrangements are made for the distribution of the loan proceeds.

Processing & Verification
Once the application is complete and the supporting documents have been obtained, the application will be processed to verify all the information needed has been provided. This involves checking the applicant's credit report and verifying his or her employment status.

If any issues arise from this review, such as bankruptcies or late payments, your Mortgage Loan Officer will work with you to get explanations for these issues that can be submitted with the file.

The application process generally takes 30 - 60 days to complete.

What Happens at the Loan Closing

The closing will take place either at your local office of First National Bank or at the office of the title company or attorney in your area who will act as our agent. If you are purchasing a new home, the seller may also be at the closing to transfer ownership to you.

During the closing you will be reviewing and signing several loan papers. The closing agent or attorney conducting the closing should be able to answer any questions you have or you can feel free to contact your Loan Officer if you prefer.

Just to make sure there are no surprises at closing, your Loan Officer will contact you before closing to review your final fees, loan amount, first payment date, etc.

The most important documents you will be signing at the closing include:

Settlement Statement

This document provides an itemized listing of the final fees charged in connection with your loan. If your loan is a purchase, the settlement statement will also include a listing of any fees related to the transaction between you and the seller. Most items on the statement are numbered according to a standardized system used by all lenders. These numbers will correspond to the numbers listed on the Good Faith Estimate that will be provided within three business days of receiving your application. This document is also commonly known as the closing statement and both the buyer and seller must sign this document.

Truth-in-Lending Statement (TIL)

This document provides full written disclosure of the terms and conditions of a mortgage, including the annual percentage rate (APR) and other fees. It is exactly the same as the TIL that you received immediately after your initial application, except it has been updated to reflect the final rate and fee information. Federal law requires that all lenders provide you with this document at closing.

Promissory Note

This is the document you sign to agree to repay your mortgage. The note will provide you with all of the details of your loan including the interest rate and length of time to repay the loan. It also explains the penalties that you may incur if you fall behind in making your payments.

Mortgage Deed

This document pledges a property to the lender as security for repayment of a debt. Essentially this means that you will give your property up to the lender in the event that you cannot make the mortgage payments. The Mortgage restates the basic information contained in the note, as well as details the responsibilities of the borrower.

What Happens at the Loan Closing (cont.)

Who will be at the closing?

The closing agent acts as our agent and will represent us at the closing. Your personal Loan Officer will contact you prior to closing to talk about your final documents and may attend the closing along with you. If you have any questions that the closing agent can't answer during the closing, ask them to contact your Loan Officer (by phone if not in person) and we'll get you the answers you need - before the closing is over!

Will I need to have an attorney represent me at closing?

In some areas of the country it is very customary, and sometimes required by law, to have an attorney represent you at the closing. In other areas, attorneys are not as common at a real estate closing. Please contact the closing agent if you have questions about attorney representation. By all means, we recommend that you have an attorney at the closing if it would make you more comfortable. If your attorney has any questions about your new mortgage, please refer them to your Loan Officer. We'd be happy to provide any information necessary.

Can I get advanced copies of the documents I will be signing at closing?

The most important documents you will sign at closing are the note and mortgage, sometimes called the deed of trust. Unless there are special circumstances, these documents are usually prepared one to two days before your closing. Other documents are prepared by the closing agent the day before or the day of your closing. If you would like copies of the completed documents to be sent to you after they are prepared, please contact your Loan Officer.

What to bring to closing

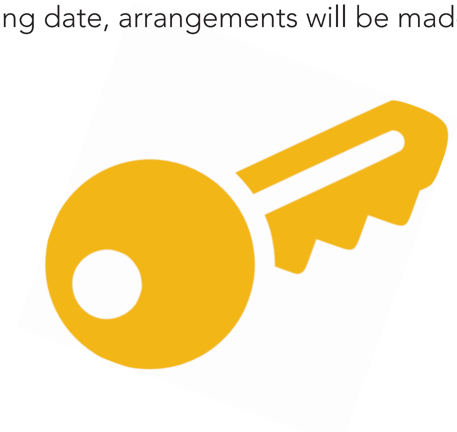
As the buyer, you should bring the following documents to the closing:

- Binder for homeowner insurance and paid receipt. Before going through with the closing, your Mortgage Loan Officer will contact you to confirm that you have your binder for homeowners insurance and your paid receipt for the first-year's premium. A binder is a document that proves you have adequate homeowners insurance for the home you are buying. Your lender will not issue the mortgage loan without it
- Certified or cashier's check for your down payment and closing costs. You can find out the exact amount you will need by contacting your lender a day or two before the closing.

After closing

After you have signed all the necessary documents and paid your closing costs and down payment, the closing is finished. Your possession date, the day you can move into your new home, is stated in the purchase agreement. If your possession date is the same day as your closing, you will receive the keys to your new home before you leave! If your possession date is different than your closing date, arrangements will be made to secure the keys on that date.

Congratulations on buying your First home!



References: *www.first-time-home-buyer-center.net*

First
National Bank