Smart Women Buy Homes®

A Glossary of Financing Terms

Amortization: Repayment of a loan in installments of principal and interest over the life of the loan, rather than by making interest-only payments.

Annual Percentage Rates (APR): The total finance charge (interest, loan fees, points) expressed as a percentage of the loan amount.

Appraisal: An estimate of a property's value.

Closing Statement: A document prepared by a closing agent describing a real estate transaction, including the escrow deposits for taxes, commissions, loan fees, points, hazard insurance, and mortgage insurance. Also called HUD-1 statement or settlement sheet.

Commitment Period: The period of time during which a loan approval is valid.

Condominium: A type of ownership in real property where all of the owners own the property, common areas and buildings together, with the exception of the interior of the unit to which they have title

Contingency: A condition that must be satisfied before a contract is legally binding. For instance, a sales agreement may be contingent upon the buyer obtaining financing.

Debt Ratios: The comparison of a buyer's housing costs to either that person's gross income or net-effective income. The first ratio is the housing ratio; the second ratio is the total debt ratio.

Earnest Money: A deposit made by the potential home buyer to show that he or she is serious about buying the house.

Escrow: Money deposited with a neutral third party called "the escrow agent," which is delivered upon fulfilling certain conditions, as established in a written agreement. Also an account held by the lender into which a homeowner pays money for taxes and insurance.

Equity: Equity is the difference between the fair market value of the property and the amount still owed on its mortgage and other liens.

FHA Loan: A loan insured by the Federal Housing Administration (of the Department of Housing and Urban Development).

Finance Charge: The total of all the interest paid over the entire life of the loan, assuming you kept the loan to maturity, as well as all prepaid loan charges. Loan charges include origination fees, discount points, mortgage insurance, and other applicable charge.

Fixed Rate Mortgage: A loan in which the interest rate does not change during the entire term of the loan.

Gift Letter: A letter from a relative stating that an amount will be gifted to the buyer and that said amount is not to be repaid.

Home Inspection Report: A thorough inspection by a licensed professional that evaluates the structural and mechanical condition of a property

Home Warranty Plan: A type of insurance often purchased by home buyers that will cover repairs to mechanical systems, such as heating or air conditioning, electrical, plumbing and installed appliance.

Lien: A legal claim against a property that must be paid off when the property is sold.

Loan Commitment: A formal offer by a lender making explicit the terms under which it agrees to lend money to a borrower over a certain period of time

Loan-to-Value Ratio: The percentage relationship between the amount of the loan and the appraised value or sales price (whichever is lower).

Lock-in: An agreement in which the lender guarantees a specified interest rate for a certain amount of time at a certain cost.

Mortgage Insurance Premium (MIP): The amount paid by a mortgagor for mortgage insurance, either to a government agency such as the Federal Housing Administration (FHA) or to a private mortgage insurance (MI) company.

Origination Fee: A fee charged by a lender for processing a loan application, expressed as a percentage of the mortgage amount.

PITI: Principal, Interest, Taxes and Insurance.

Point: A point is one percent of the amount of the mortgage.

Prepayment Penalty: A fee charged to a borrower who pays a loan before it is due. Not allowed with FHA or VA loans.

Private Mortgage Insurance (PMI): Insurance 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 contract signed by the buyer and seller stating the terms and conditions under which a property will be sold.

Realtor: A real estate agent, broker or an associate who holds active membership in a local real estate board that is affiliated with the National Association of Realtors.

Regulation Z: A federal law requiring lenders to fully disclose in writing the terms and conditions of a mortgage, including the annual percentage rate and other charges.

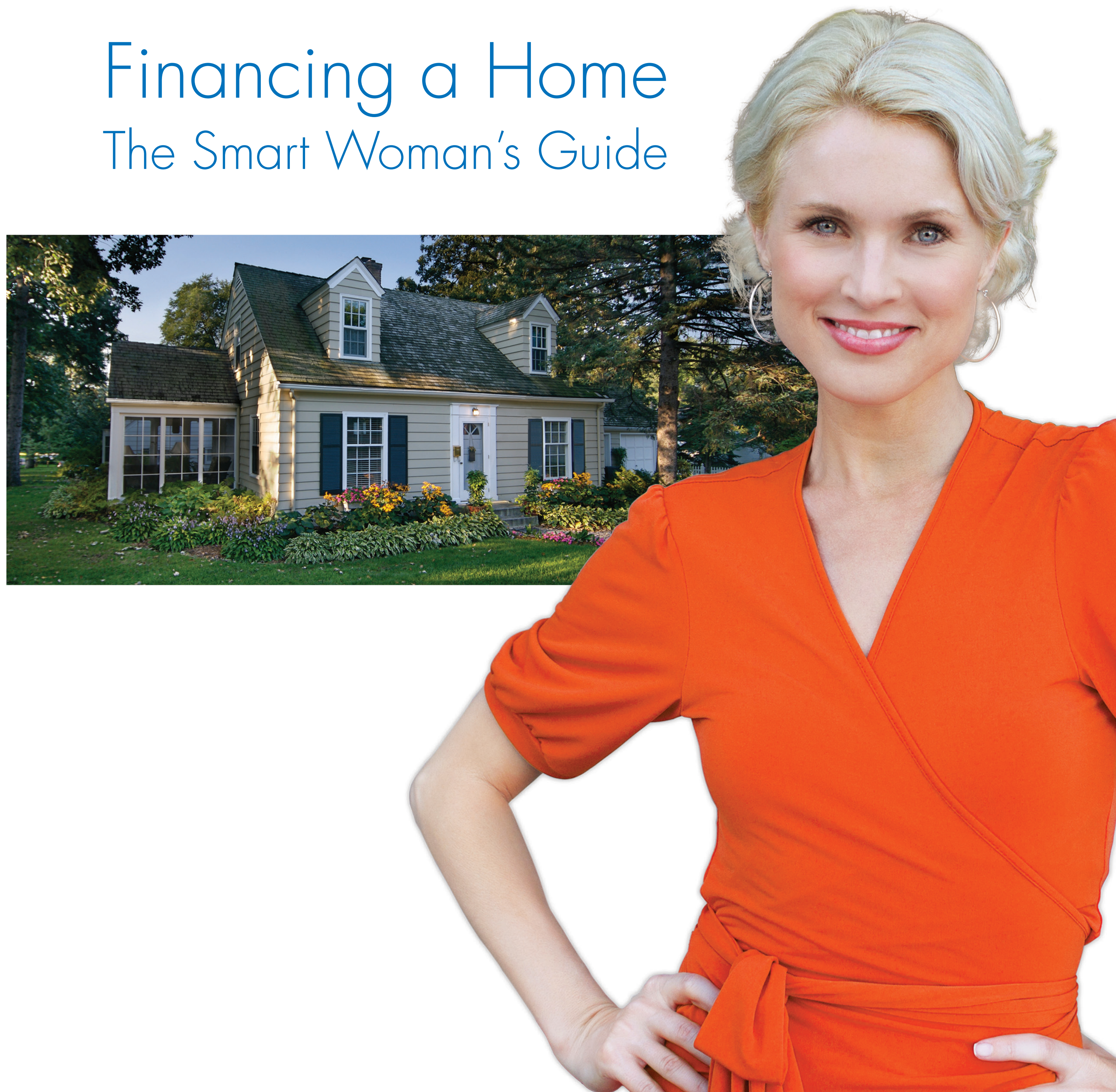
Title Insurance Policy: Insurance that protects the lender (lender's policy) or the buyer (owner's policy) against loss arising from disputes over ownership of a property.

VA Loans: A loan made by a private lender, which is partially guaranteed by the Veterans Administration.

Smart Women Buy Homes®

Financing a Home

The Smart Woman's Guide



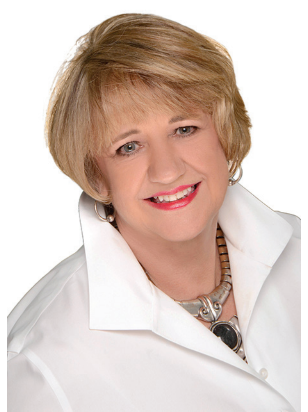
Financing a home is a step-by-step process

Our Founder tells her story

Today Jeanie Douthitt, the founder of Smart Women Buy Homes, is a leading expert in America, devoted to helping single women like you purchase homes.

She didn't start out that way.

Jeanie relates how her own experience buying a home as a single woman led her to establishing Smart Women Buy Homes.



"When I bought my first house, I had some fear and anxiety, so I can totally relate to my clients who feel that way when purchasing their first homes. They're worried they won't be taken seriously, or that someone will talk down to them. They're concerned they won't qualify for a mortgage. By working together as a team with a mortgage partner and a title partner, I've managed to take the fear out of the home buying process for all my clients."

"I founded Smart Women Buy Homes so no single woman would ever again have to be fearful about buying a home of her own. When you visit our Smart Women Buy Homes website to find a SWBH advisor, you can rest assured that you will be sincerely listened to, treated with respect, and provided with trustworthy advice and information."

Jeanie

Buying a home is like anything else in life. It's something you learn to do, like driving a car, baking a cake, or putting on a golf green. We know financing a home can be a little intimidating if you've never done it before. Although it's a numbers game, you don't have to be a math genius to understand and go through the process of financing your new home. Actually, it can be broken down into easy-to-follow steps. Best of all, your Smart Women Buy Homes advisor can simplify the process for you and help you every step of the way.

Let's get started with the basics.

1. Know what you can afford by taking a sharp pencil to your monthly and annual expenses and the income you need to meet those expenses.
2. Research lenders and compare mortgage interest rates.
3. Select a lender and apply for your mortgage by filling out all relevant paperwork.
4. Your lender processes your mortgage application.
5. Your lender gives you a rough estimate of closing costs.
6. Your lender orders a credit report and verifies your employment and assets.
7. Your lender gives you a loan cost estimate on a Truth in Lending Disclosure Statement form. (This is required by law.)
8. Your lender approves your loan application.
9. Your Smart Women Buy Homes advisor shows you homes for sale that fit your needs and budget.
10. You decide on your favorite home.
11. Your Smart Women Buy Homes advisor makes an offer on your behalf to the seller and works with the seller's agent to negotiate the sales price.
12. Once your offer is accepted, your lender completes the final approval process.
13. At the closing you sign the documents, and your loan is then funded by your lender.
14. The transaction is complete. You are the proud owner of a new home!

Now that you know the basics, let's take an in-depth look at each aspect of the financing process.

Home Sweet Home is Still Sweet to 81% of American Adults

Despite recent housing market challenges, eight-in-ten (81%) American adults agree that buying a home is the best long-term investment a person can make, according to a nationwide Pew Research Center survey of 2,142 adults conducted during March 2011.

Besides being a good investment, home ownership has more to do with family and lifestyle choices than money. According to a Fannie Mae National Housing Survey, the top four reasons people buy homes are:

1. A good place to raise children
2. A place where your family can feel safe
3. More space for your family
4. Control over your living space (for renovations and updates)

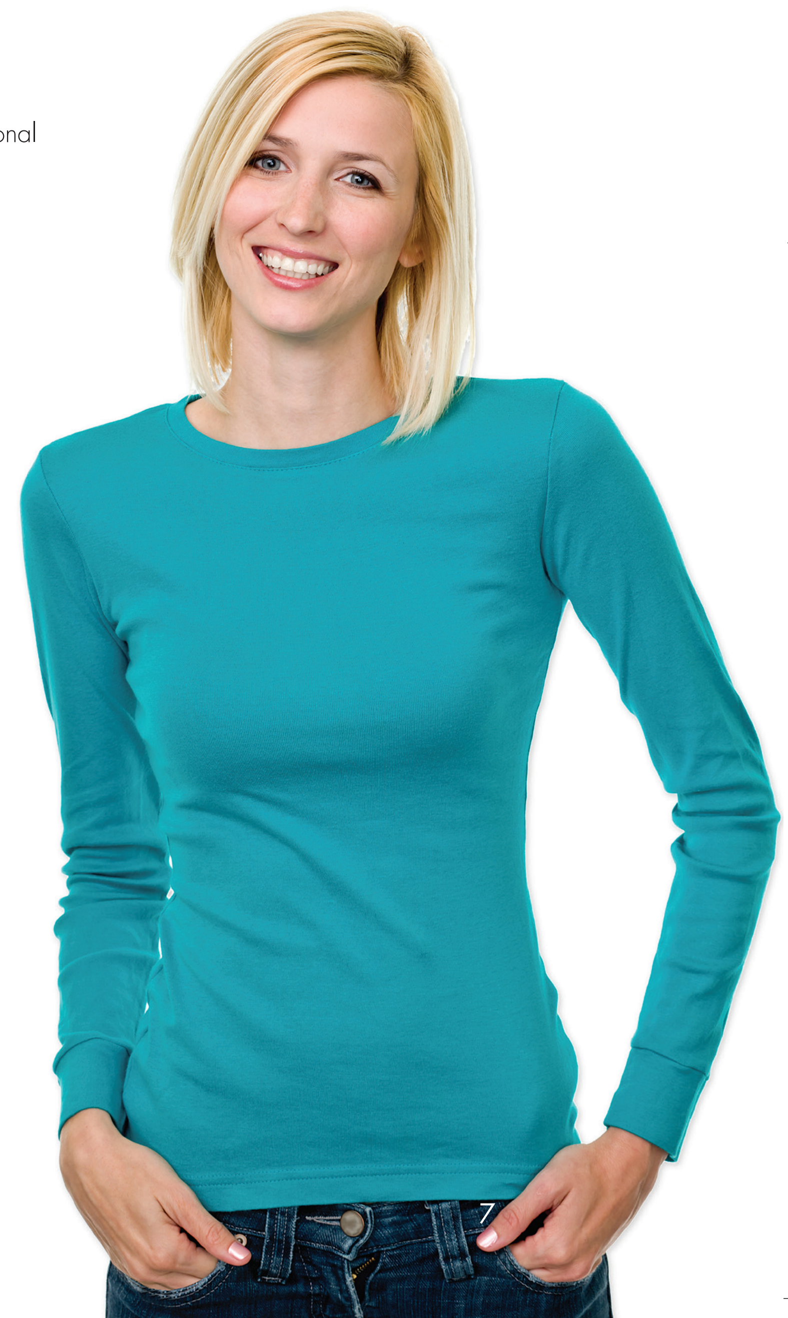
The survey also found there is clearly a financial side to home ownership.

- 64% of people believe that home ownership is a "safe" investment.
- 55% of people think home ownership has more upside investment potential than any other traditional asset class.
- 68% believe now is a good time to buy a home.

Those surveyed revealed home ownership is overwhelmingly preferred over renting.

- 63% of renters want to own their own home some day.
- 70% of renters think that owning is better to renting.
- 96% of homeowners think owning a home is a positive experience.
- 97% of homeowners live in single-family residences while 53% of renters live in multi-unit buildings.

Home sweet home is still sweet to most Americans. Contact a Smart Women Buy Homes advisor now to see how sweet and easy homeownership can be for you!



Let's compare renting and owning

Many women are renting an apartment because they assume they would not be approved for a mortgage. We understand that the process of getting a mortgage can be intimidating or appear to be more trouble than it's worth.

But ask yourself this question.

Which is less expensive: owning a home or renting a home? The answer to that question certainly goes a long way toward helping you decide to rent or buy.

A recent report by JP Morgan Chase says in this regard, "…we estimate that the implied median mortgage payment has fallen to just 78% of the median asking rent…Five years ago, at the peak of the home-buying euphoria, it was emphatically a time to rent."

The report concludes, "Today with home ownership depreciated as much as it has, the numbers tell us it is a time to buy."

We agree. Your Smart Women Buy Homes advisor will be there to help you make that transition from being a renter to being a smart, proud home owner.

Getting your Mortgage Application Approved

A Few Tips On Building A Good Credit Score

1. If you want to receive the highest credit scores possible, make sure the balance on each of your credit cards is no more than 30% of each credit line. For example, if your MasterCard credit line is $10,000, you don't want your total balance to exceed $3000.
2. Don't open up new credit cards or close unused old ones.
3. Don't shop for a car or apply for life insurance.

Each one of those actions, even closing current credit card accounts, will reduce your credit score.

As you apply for your mortgage, you will want your score to be as high as possible. If you have any questions about what you should or should not do about any aspect of your credit while applying for a mortgage, ask your Smart Women Buy Homes advisor or your mortgage company loan officer.

How Do I know this is a Good Time to Buy a Home?

Financial analysts use a ratio to compare housing prices, called the "price-to-income ratio" which compares current housing prices with current incomes, and measures this comparison against what this ratio has been over the last half-century or so.

According to a recent report by JP Morgan Chase, today's price-to-income ratio is currently on the low side.

Take a look at these facts from the report.

> "Since 1966, the median price of an existing single family home in the U.S. has varied between 150% and 251% of personal income per household. However, roughly 75 percent of the time it has fallen in a relatively narrow band, somewhere between 185% and 230%."

The economic conditions we've experienced over the last few years have pushed the price-to-income ratio down to 153%. If you believe, as we do, that once the economic recovery gets well under way, the price-to-income ratio will revert back to its higher traditional range since 1966. But for this to happen, home prices would have to soar by about 27% for that to happen.

There is no guarantee that home prices will increase that much, or increase at all; however, it is one indication that they could.

Numbers like these make a good case for buying a home now, rather than years down the road when prices or interest rates may not be as attractive as they are today.

How Much Can I Afford?

It's important to know how much you can afford to spend on a home so your experience of owning a home is a joy, not a burden financially. Start now to take a look at your current expenses, your income, and your lifestyle to determine what you can afford to spend on a home.

Taking that first step in the financing process means getting pre-approved for a mortgage that fits your budget, so when you begin looking for a home with your Smart Women Buy Homes advisor, you will only visit homes that suit your budget. It's always fun to dream big, however, being realistic about what you can afford helps avoid the heartache of falling in love with a house out of your price range. That's what we're here for; to help you find the perfect home—one you'll love and will comfortably afford.

Smart Women Buy Homes is all about making home ownership easy and a joy.

What is a mortgage?

A mortgage is simply a loan from a lender, usually a bank, that is used to purchase your home when combined with your own down payment. There are generally specified payment periods and interest rates. The house serves as collateral for the loan.

What's the best mortgage for me?

There are several types of mortgages available, but it can be confusing trying to determine what the best option is for you. You can rely on the years of experience your Smart Women Buys Homes advisor has had working with buyers to help guide you in making this important decision.

Some of the more popular mortgages available include:

- 15, 20 and 30 year fixed-rate loans
- New construction financing
- VA and FHA loans
- And others

Will it take a long time for me to be approved for a mortgage?

The approval process usually takes from 30 to 60 days from the time of your application to the final closing on your new home. Some mortgages take as little as seven days while others can take up to 90 days to be approved.

What documents will I need to prepare for my lender?

After you apply for a mortgage, your lender evaluates and approves your mortgage partly based on certain documents you provide in regards to your income, expenses and other financial obligations. In order to streamline the mortgage application process, you should have the following documents available:

- Your two most recent pay stubs
- W-2s from your last two years of employment
- Federal tax returns from the last two years
- Bank statements from the last two months
- Statements from your investment accounts
- Information about your other financial obligations (credit cards, child support, auto loans, installment loans, etc.)

What could delay my loan approval?

If you provide your mortgage lender with complete and accurate information, your loan should take relatively little time to get approved.

If the mortgage lender encounters a history of late payments or nonpayment of debts or a tax lien, approval of your mortgage could be delayed. Be sure to share any concerns you may have with your loan officer.

If your personal or financial situation changes while your mortgage is being processed, you should notify your lender.

Another reason the process can get bogged down is if the appraisal on the home you are interested in purchasing is less than the agreed-upon purchase price.

What to ask before signing on the dotted line.

What exactly is included in my monthly mortgage payment?

A number of items can be included. Your monthly payment always includes principal (the amount borrowed) plus the interest on what you borrowed. Depending on the terms of your loan or on your own desires, the payment can also include your property taxes, mortgage insurance and hazard insurance. Some people prefer to pay their property taxes at the end of the year, and their insurance on a monthly, quarterly, or bi-annual basis, however, this depends on the type of loan you receive.

What loan programs require that the insurance and taxes be included with my monthly mortgage payment?

If your loan is an FHA- or VA-insured loan, you must pay for insurance and property taxes each month as part of your total mortgage payment.

What is included in my closing costs?

Closing costs include your loan's processing and administration costs over the term of your loan, and title fees– if using a title company, or attorney fees. Fees at closing are pro-rated to cover the partial month in which you close on your house. You may also have to set aside additional funds for placing in an escrow account which may be used to cover your property taxes and both your hazard insurance and mortgage insurance.

When do I start making mortgage payments?

The due date of your first payment is specified in your closing documents. In some cases, you can determine on what day of the month you wish to have your mortgage payment due. For example, if you are paid on the 1st of the month, you might want to have your mortgage payment due on the 5th of the month. Discuss this with your lender before closing to see if they are flexible with the exact due date for your mortage payment.

Is this a Good Time for a Single Woman like me to Purchase Her Own Home?

Absolutely! You couldn't pick a better time, since mortgage interest rates are at historic lows. Back in 2003, 30-year mortgages were available at 5.88%. Today, they hover around 4%. The lower the interest rate, the less your mortgage payment will be, or the more expensive a home you can afford.

And if you've been renting, you may find that your house payment is lower than the monthly rent you were paying!

The chart below shows how a homeowner can actually pay $285 less per month thanks to sinking interest rates:

Year	Loan Amount	Interest Rate	Monthly Payment (P&I)
2003	$250,000	5.88%	$1, 483.84
2012	$250,000	4.00%	$1,193.54

In this illustration, in 2012, you would save $290.30 every month on the same mortgage due to lower interest rates.

Overall real estate values have fallen to 2003-2004-levels. Today you can purchase a house for about what it cost 10 years ago. And when you combine the lower price of the house with the lower mortgage payments, the savings begin to add up.

Why now?

For most people, a house is usually the largest investment they own. For single women like yourself, not only will you be making an important investment in a home, but also you'll be making one of the most empowering investments in yourself. There's nothing quite like the satisfaction of being able to call a home "yours" and having the security of an investment that can appreciate down the road.

Here's why the time is now for buying a home.

- Although the Federal Reserve intends to keep interest rates low for some time, it is inevitable that rates will eventually rise from their current historic lows.
- A low, long-term fixed mortgage rate such as we have today in the 30-year mortgage, is an excellent way to go to lock in these advantageous rates today.
- Many news reports say demand for apartment rentals are causing rents to rise 3% per year, higher than they have historically been. Staying in an apartment is only going to get more expensive. (And each year you rent, you lose the benefit of being able to deduct your mortgage interest and property tax payments, which ultimately lower your tax bill, and can put more money in your pocket.)