



First Time Homebuyer Seminar

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The Cost to Rent

\$2,855

Monthly rent for a 1 - 2
bedroom apartment

3%

Annual rent
increase

~\$171,300

Amount spent
after 5 years

\$0

Net equity gain – nothing to show over
5 years of spending AND no tax deductibility

Advantages of Owning a Home



- Homes typically increase in value allowing for a **long-term financial investment**.
- Pride and joy of owning.
- The interest, property taxes, and in most cases, mortgage insurance, are **tax deductible**.
**Consult with your tax advisor.*
- **Predictable costs and more stable** than renting because they're ideally based on a fixed-rate mortgage.
- You **build equity** over time.

Renting vs. Owning

Monthly payment analysis based on a purchase price of \$350,000 with a down payment of 3%.

	RENT	OWN
Loan Amount	N/A	\$339,500
Rate	N/A	6.625%
Annual Percentage Rate (APR)	N/A	6.737%
Term (Months)	N/A	360
Principal & Interest (P&I)	N/A	\$2,173
Property Tax	N/A	\$350
Hazard Insurance	N/A	\$100
Mortgage Insurance (MI)	N/A	N/A
Total Monthly Payment	\$2,855	\$2,623
Est. Tax Benefit	\$0	?
Est. Net Payment after Taxes	\$2,855	TBD

Calculating Your Monthly Payment

What will my mortgage payment include?

PITI / MI =

- Principal
- Interest
- Taxes
- Insurance
- And in some cases, Mortgage Insurance

*Payments do not include amounts for taxes and insurance premiums (if applicable). Your actual payments may be greater.

PAYMENT BREAKDOWN	
Term / Product	30 Year Fixed Rate Mortgage
Price / Value	\$350,000
Rate	6.625% / 6.737%
Loan Amount	\$339,500
P&I*	\$2,173
Property Tax	\$350
Hazard Insurance	\$100
Mortgage Insurance (MI)	N/A
Total Monthly Payment	\$2,623



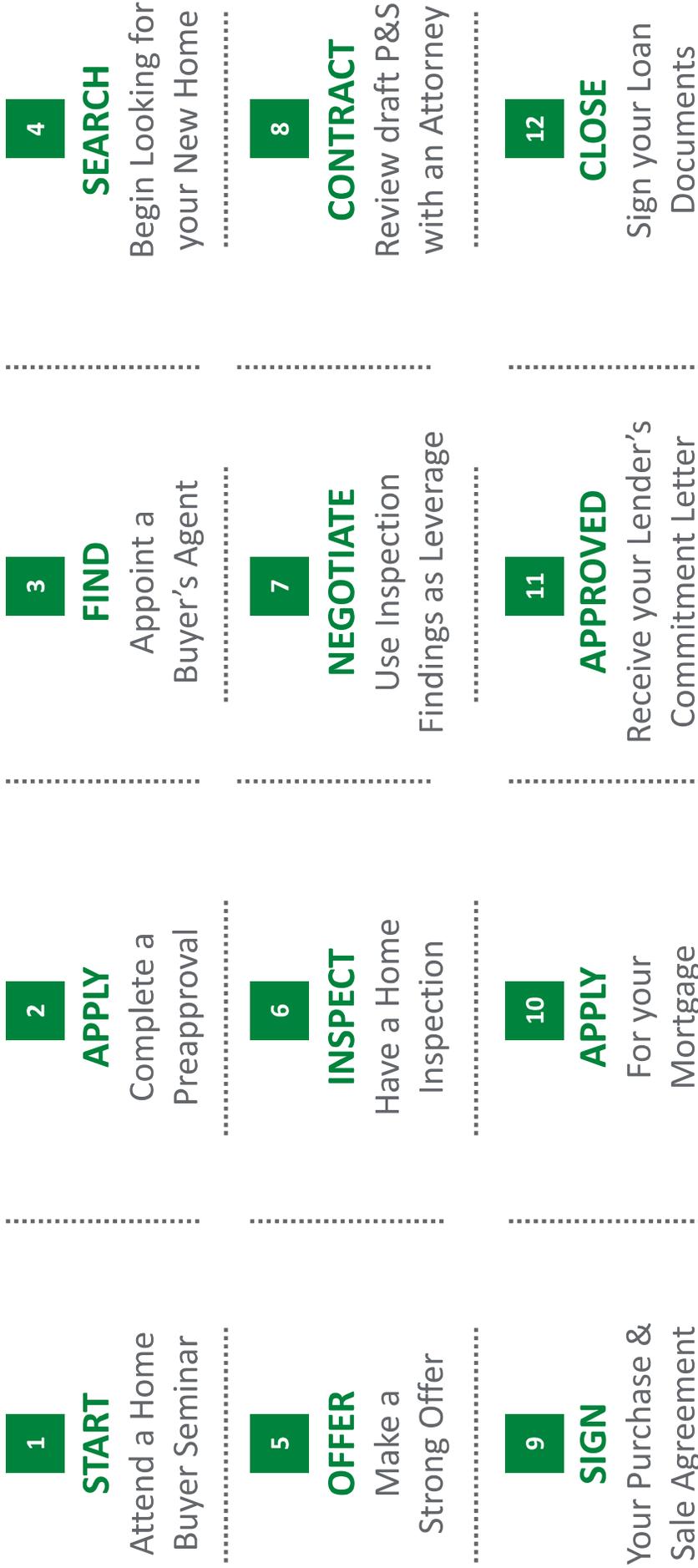
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Home Buyer Roadmap



Pre-Qualification vs. Pre-Approval

PRE-QUALIFICATION

Pre-qualification is an unofficial estimate from the lender of the maximum loan amount for which you might be able to qualify.

- The estimate is based on verbal information provided by you.
- The lender does not verify income, assets or debt obligations.
- There are usually no fees involved with pre-qualification.

PRE-APPROVAL

Pre-approval goes one step further:

- The lender verifies your financial information such as income, debts, and credit and provides confirmation *in writing* for a specific amount.
- It shows real estate agents and sellers that you are able to obtain financing to purchase the home.
- Pre-approval is "not" a loan guarantee.

Key Considerations Before Buying

**DO YOU HAVE A STEADY
INCOME STREAM?**

**ARE YOU ABLE TO PAY ALL
YOUR BILLS ON TIME?**

**DO YOU HAVE ENOUGH
CASH SAVINGS FOR A
DOWN PAYMENT?**

Loan Application (1003)

REQUIREMENTS

- Mortgage Type & Property Information
- Borrower(s) Information
- Employment & Income
- Assets & Liabilities



Mortgage Type & Property Information

Section 4: Loan and Property Information. This section asks about the loan's purpose and the property you want to purchase or refinance.

4a. Loan and Property Information

Loan Amount \$	<input type="text"/>	Loan Purpose	<input type="radio"/> Purchase	<input type="radio"/> Refinance	<input type="radio"/> Other (specify)	<input type="text"/>
Property Address	Street <input type="text"/>	City <input type="text"/>	State <input type="text"/>	ZIP <input type="text"/>	County <input type="text"/>	Unit # <input type="text"/>
Occupancy	Number of Units <input type="text"/>	Property Value \$ <input type="text"/>	<input type="radio"/> Primary Residence	<input type="radio"/> Second Home	<input type="radio"/> Investment Property	FHA Secondary Residence <input type="checkbox"/>
1. Mixed-Use Property. If you will occupy the property, will you set aside space within the property to operate your own business? (e.g., day-care facility, medical office, beauty/barber shop) <input type="radio"/> NO <input type="radio"/> YES						
2. Manufactured Home. Is the property a manufactured home? (e.g., a factory built dwelling built on a permanent chassis) <input type="radio"/> NO <input type="radio"/> YES						

Borrower Information

Section 1: Borrower Information. This section asks about your personal information and your income from employment and other sources, such as retirement, that you want considered to qualify for this loan.

1a. Personal Information

<p>Name (First, Middle, Last, Suffix) _____</p>		<p>Social Security Number (or Individual Taxpayer Identification Number) _____</p>	
<p>Alternate Names – List any names by which you are known or any names under which credit was previously received (First, Middle, Last, Suffix) _____</p>		<p>Date of Birth (mm/dd/yyyy) _____ / _____ / _____</p> <p>Citizenship <input type="radio"/> U.S. Citizen <input type="radio"/> Permanent Resident Alien <input type="radio"/> Non-Permanent Resident Alien</p>	
<p>Type of Credit <input type="radio"/> I am applying for individual credit. <input type="radio"/> I am applying for joint credit. Total Number of Borrowers: _____ Each Borrower intends to apply for joint credit: Your initials: _____</p>		<p>List Name(s) of Other Borrower(s) Applying for this Loan (First, Middle, Last, Suffix) – Use a separator between names _____</p>	
<p>Marital Status <input type="radio"/> Married <input type="radio"/> Separated <input type="radio"/> Unmarried (Single, Divorced, Widowed, Civil Union, Domestic Partnership, Registered Reciprocal Beneficiary Relationship)</p>		<p>Dependents (not listed by another Borrower) Number _____ Ages _____</p>	
<p>Current Address Street _____ City _____ State _____ ZIP _____ Unit # _____ Country _____</p> <p>How Long at Current Address? _____ Years _____ Months Housing <input type="radio"/> No primary housing expense <input type="radio"/> Own <input type="radio"/> Rent (\$ _____ /month)</p>		<p>Contact Information Home Phone (____) (____) _____ Cell Phone (____) (____) _____ Work Phone (____) (____) _____ Ext. _____ Email _____</p>	
<p>If at Current Address for LESS than 2 years, list Former Address <input type="checkbox"/> Does not apply</p> <p>Street _____ City _____ State _____ ZIP _____ Unit # _____ Country _____</p> <p>How Long at Former Address? _____ Years _____ Months Housing <input type="radio"/> No primary housing expense <input type="radio"/> Own <input type="radio"/> Rent (\$ _____ /month)</p>		<p>Mailing Address – If different from Current Address <input type="checkbox"/> Does not apply</p> <p>Street _____ City _____ State _____ ZIP _____ Unit # _____ Country _____</p>	



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Employment & Income

1b. Current Employment/Self-Employment and Income Does not apply

Employer or Business Name _____ Phone (____) ____ - ____ - ____ Unit # _____
 Street _____ City _____ State _____ ZIP _____ Country _____

Position or Title _____
 Start Date ____/____/____ (mm/dd/yyyy) Months _____
 I am employed by a family member, property seller, real estate agent, or other party to the transaction.
 Check if you are the Business I have an ownership share of less than 25%. Monthly Income (or Loss) Owner or Self-Employed I have an ownership share of 25% or more. \$ _____

Gross Monthly Income	
Base	\$ _____ /month
Overtime	\$ _____ /month
Bonus	\$ _____ /month
Commission	\$ _____ /month
Military Entitlements	\$ _____ /month
Other	\$ _____ /month
TOTAL	\$ _____ /month

Uniform Residential Loan Application
 Freddie Mac Form 65 • Fannie Mae Form 1003
 Effective 7/2007

1c. IF APPLICABLE, Complete Information for Additional Employment/Self-Employment and Income Does not apply

Employer or Business Name _____ Phone (____) ____ - ____ - ____ Unit # _____
 Street _____ City _____ State _____ ZIP _____ Country _____

Position or Title _____
 Start Date ____/____/____ (mm/dd/yyyy) Months _____
 I am employed by a family member, property seller, real estate agent, or other party to the transaction.
 Check if you are the Business I have an ownership share of less than 25%. Monthly Income (or Loss) Owner or Self-Employed I have an ownership share of 25% or more. \$ _____

Gross Monthly Income	
Base	\$ _____ /month
Overtime	\$ _____ /month
Bonus	\$ _____ /month
Commission	\$ _____ /month
Military Entitlements	\$ _____ /month
Other	\$ _____ /month
TOTAL	\$ _____ /month

1d. IF APPLICABLE, Complete Information for Previous Employment/Self-Employment and Income Does not apply

Provide at least 2 years of current and previous employment and income.

Employer or Business Name _____ Unit # _____
 Street _____ City _____ State _____ ZIP _____ Country _____

Position or Title _____
 Start Date ____/____/____ (mm/dd/yyyy)
 End Date ____/____/____ (mm/dd/yyyy)
 Check if you were the Business Owner or Self-Employed

Previous Gross Monthly Income \$ _____ /month

1e. Income from Other Sources Does not apply

Include income from other sources below. Under Income Source, choose from the sources listed here:

- Alimony
- Interest and Dividends
- Child Support
- Royalty Payments
- Automobile Allowance
- Mortgage Credit Certificate
- Disability
- Public Assistance
- Boarder Income
- Mortgage Differential Payments
- Foster Care
- Retirement (e.g., Pension, IRA)
- Capital Gains
- Housing or Parsonage Payments
- Social Security
- Trust
- Unemployment Benefits
- VA Compensation
- Other

NOTE: Reveal alimony, child support, separate maintenance, or other income ONLY if you want it considered in determining your qualification for this loan.

Income Source – use list above	Monthly Income
_____	\$ _____
_____	\$ _____
_____	\$ _____
Provide TOTAL Amount Here	\$ _____



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Assets & Liability

Section 2: Financial Information — Assets and Liabilities. This section asks about things you own that are worth money and that you want considered to qualify for this loan. It then asks about your liabilities (or debts) that you pay each month, such as credit cards, alimony, or other expenses.

2a. Assets – Bank Accounts, Retirement, and Other Accounts You Have

Include all accounts below. Under Account Type, choose from the types listed here:

- Checking
- Savings
- Money Market
- Certificate of Deposit
- Mutual Fund
- Stocks
- Stock Options
- Bonds
- Retirement (e.g., 401k, IRA) Account
- Bridge Loan Proceeds
- Individual Development Account
- Trust Account
- Cash Value of Life Insurance (used for the transaction)

Account Type – use list above	Financial Institution	Account Number	Cash or Market Value
>			\$
>			\$
>			\$
>			\$
>			\$
Provide TOTAL Amount Here			\$ 0.00

2b. Other Assets and Credits You Have

Does not apply

Include all other assets and credits below. Under Asset or Credit Type, choose from the types listed here:

- Proceeds from Real Estate Property to be sold on or before closing
- Proceeds from Sale of Non-Real Estate Asset
- Secured Borrowed Funds
- Unsecured Borrowed Funds
- Other
- Credits
 - Earnest Money
 - Employer Assistance
 - Lot Equity
 - Relocation Funds
 - Rent Credit
 - Sweat Equity
 - Trade Equity

Asset or Credit Type – use list above	Cash or Market Value
>	\$
>	\$
>	\$
>	\$
Provide TOTAL Amount Here	\$ 0.00

2c. Liabilities – Credit Cards, Other Debts, and Leases that You Owe

Does not apply

List all liabilities below (except real estate) and include deferred payments. Under Account Type, choose from the types listed here:

- Revolving (e.g., credit cards)
- Installment (e.g., car, student, personal loans)
- Open 30-Day (balance paid monthly)
- Lease (not real estate)
- Other

Account Type – use list above	Company Name	Account Number	Unpaid Balance	To be paid off at or before closing	Monthly Payment
>			\$	<input type="checkbox"/>	\$
>			\$	<input type="checkbox"/>	\$
>			\$	<input type="checkbox"/>	\$
>			\$	<input type="checkbox"/>	\$
>			\$	<input type="checkbox"/>	\$

2d. Other Liabilities and Expenses

Does not apply

Include all other liabilities and expenses below. Choose from the types listed here:

- Alimony
- Child Support
- Separate Maintenance
- Job Related Expenses
- Other

Account Type – use list above	Monthly Payment
>	\$
>	\$
>	\$
>	\$
Provide TOTAL Amount Here	\$

The Pre-Approval Process

The 4 Cs Used for a Mortgage Approval



Credit

Have you demonstrated financial responsibility with your debts?

“TRI-MERGE” CREDIT REPORT

- Minimum monthly debt payments
- History
 - At least two years
 - ~ 2-3 active trade lines preferred
- Delinquent Information on Credit Report
 - Should be resolved; provide Letter of Explanation

NON-TRADITIONAL CREDIT

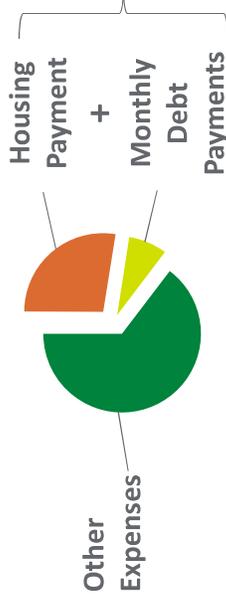
- Used when no credit history exists
- Rental Receipts plus 2-4 other accounts, such as utilities, insurance, or similar

Capacity/Calculating Affordability

Do you have the ability to make the new monthly payment?

- **Employment History (usually two years)**
 - Full-time, part-time
 - W2 Income, 1099, Self-employed
- **Verifiable**
- **Stable**
- **Other Income Sources**
 - Bonuses, tips, investment income, business earnings, dividends, pensions, social security, child support, alimony

- **Housing Expense Ratio (Front End Ratio):**
 - Percentage of gross monthly income compared to total housing payment:
 - Total housing payment includes: **PITI + MI (+ Condo fee)**
- **Debt-to-Income Ratio (Back End Ratio):**
 - Percentage of gross monthly income compared to housing PLUS all minimum monthly “debt.”



QUALIFYING RATIO EXAMPLES: 33/38 38/43 28/36 41/41

Capital

Do you have sufficient assets for a down payment, closing costs and reserves?

- Checking, Savings, CDs
- Investments and Retirement Plans
- Grants and Gift Funds
- Is it sufficient to cover:
 - Down Payment: 0% - 20% of purchase price
 - Closing costs
 - Pre-Paid Expenses - escrows, Pre-paid interest
 - Reserves: dependent upon program
- Funds should be verifiable

Down Payment, Fees & Closing Costs

How much do you need in funds?

DOWN PAYMENT: YOUR INVESTMENT IN THE PROPERTY

- Demonstrates your financial commitment to purchase the home.
- The down payment amount required varies by loan program.
- Usually 3% - 20% of the home's purchase price.
- Zero down payment programs, also known as 100% financing, may be available to buyers who meet certain requirements.

Collateral

Is the value of the property sufficient?

VALUE OF THE PROPERTY

- Must not exceed loan guidelines
 - Loan-to-value
- Determined by an appraisal
 - Comparables (at least three similar properties)
- Title Search
- Flood Certificate
- Municipal Lien Certificate
- 6D Certificate

Determining Property Value

What is loan-to-value (LTV) ratio?

- The “LTV” is a percentage-based ratio which compares the “loan amount” to the “value” of the property.
- The “value” is determined by an appraisal.
- The lender will not issue a loan that is higher than the maximum LTV limit set by the loan guidelines.
- For example, if the purchase price of a home is \$100,000, a loan amount with a 97% LTV will not exceed \$97,000.

Pre-Approval Process (continued)

What documents do I need for the pre-approval process?

DOCUMENT	TIMELINE
Paystubs	Past 30 days
W-2's	Most recent two years
Tax Returns	Most recent two years
Bank Statements	Prior two months

Pre-Approval Process *(continued)*

Financing Options

- Conventional Loans
 - Fixed Rate
 - Adjustable Rate
- Government-Backed Loans (FHA & VA)
- Mass Housing Partnership
- Adjustable-Rate Mortgages (ARM)
 - Interest rate is adjusted periodically, according to a pre-selected *index* plus *margin*. The interest rate adjustment changes the borrower's monthly principal and interest payment.
- Mortgage Insurance (MI | PMI)
- Discuss different program benefits with your loan officer
- Submit application
- Receive preapproval letter

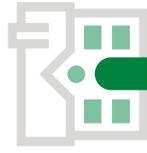
Protect Your Credit Rating



WHAT NOT TO DO AFTER APPLYING:

- Have your credit pulled for any reason
- Open any new credit
- Charge any big-ticket items
- Shop for furnishings for your new home
- Close any credit cards
- Pay off or pay down any accounts without consulting with your Loan Officer.

Finding a Buyer's Agent



SINGLE FAMILY



MULTI-FAMILY



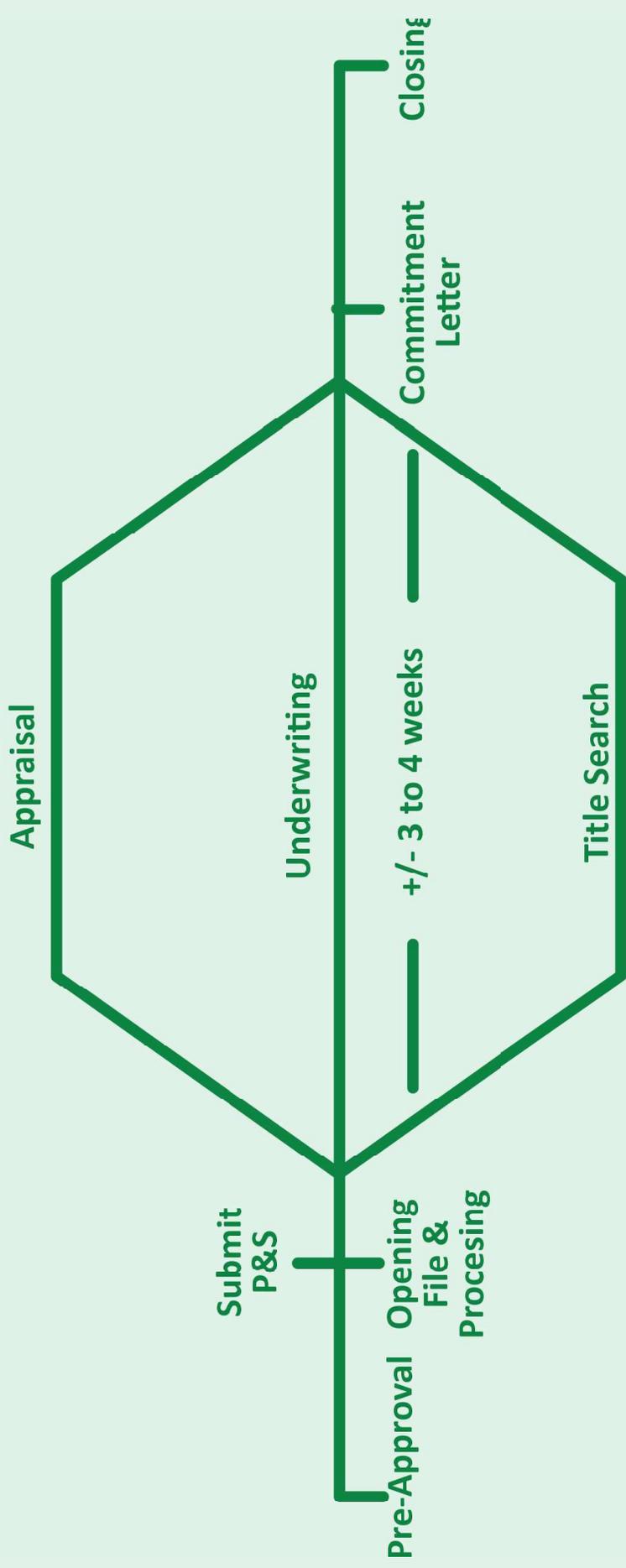
CONDOMINIUM

Make and Negotiate an Offer

- The negotiation process of an offer made may take some time and go back and forth before a deal is reached.
- Your Buyer's Agent is the best person to help you in this process.



The Application Process

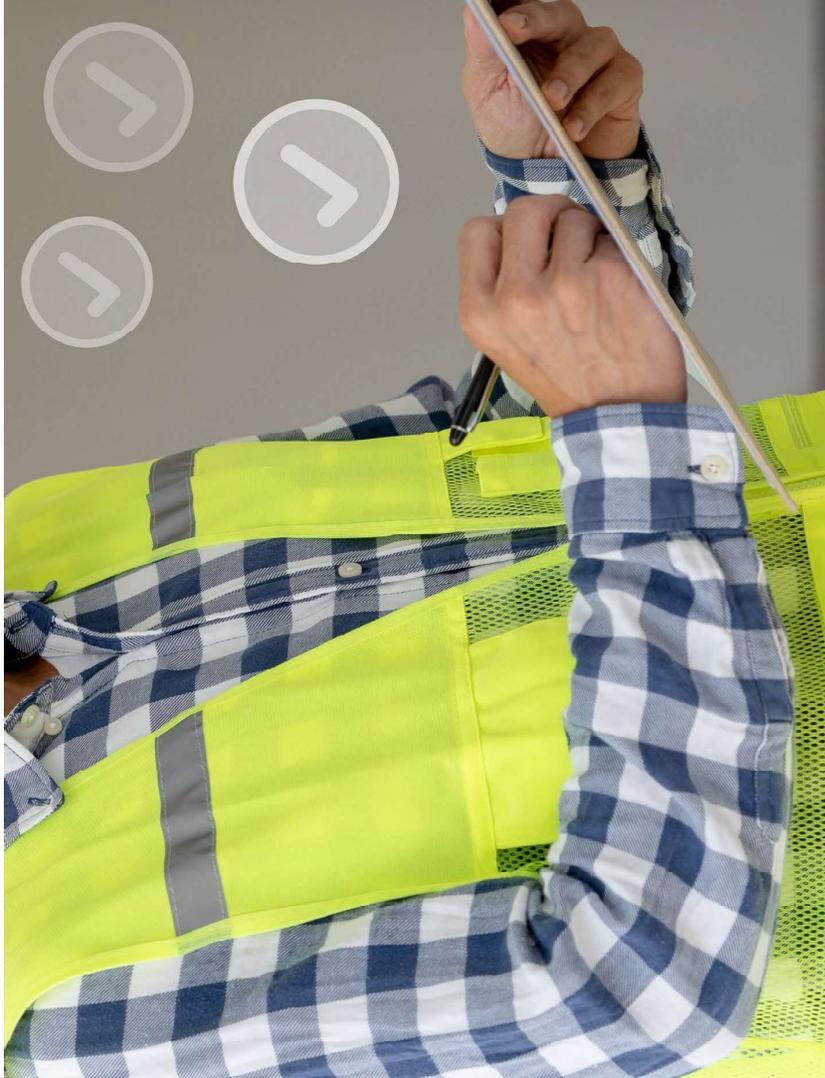


Home Inspection



- Home inspections are an important part of the home buying process.
- Qualified home inspectors work with buyers to help them learn more about the home they are purchasing and to help the buyer decide whether or not to move forward.

Signing the Purchase & Sale Agreement (P&S)



- Home inspection results are discussed, and an opportunity to renegotiate may arise, which should be included in the P&S.
- Before signing the P&S, have the lender's attorney (or your own attorney) review and add Buyer's Addendum.
- Commitment and closing dates are agreed up on and are included in the P&S.

Financing

APPLICATION / DISCLOSURES

- Uniform Residential Loan Application
- (1003) Loan Estimate (LE)

PROCESSING

All required documents are collected and organized

APPRAISAL

Estimated market value of the subject property

TITLE WORK

Ensures the property has a clean ownership history

UNDERWRITING

Verification of documents to ensure eligibility

Receive Mortgage Approval



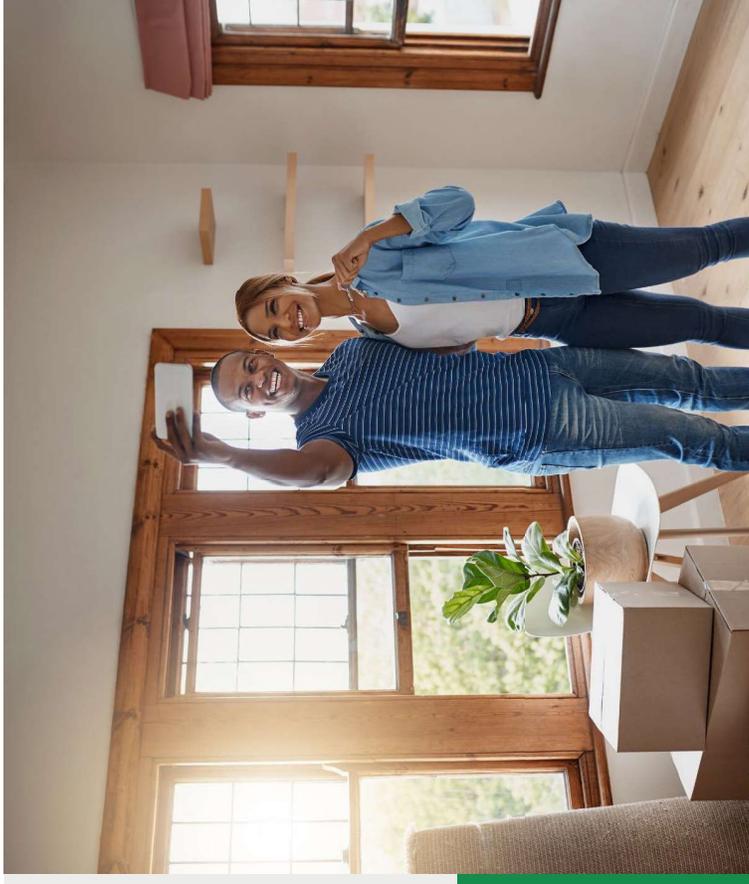
COMMITMENT LETTER

- Your lender issues your Commitment Letter.
- Discuss any Approval Conditions with your Loan Officer.
- You may want to get an extension to protect your deposit.
- Any and all remaining conditions are set to underwriting for final review.
- Your loan is 'cleared to close'.

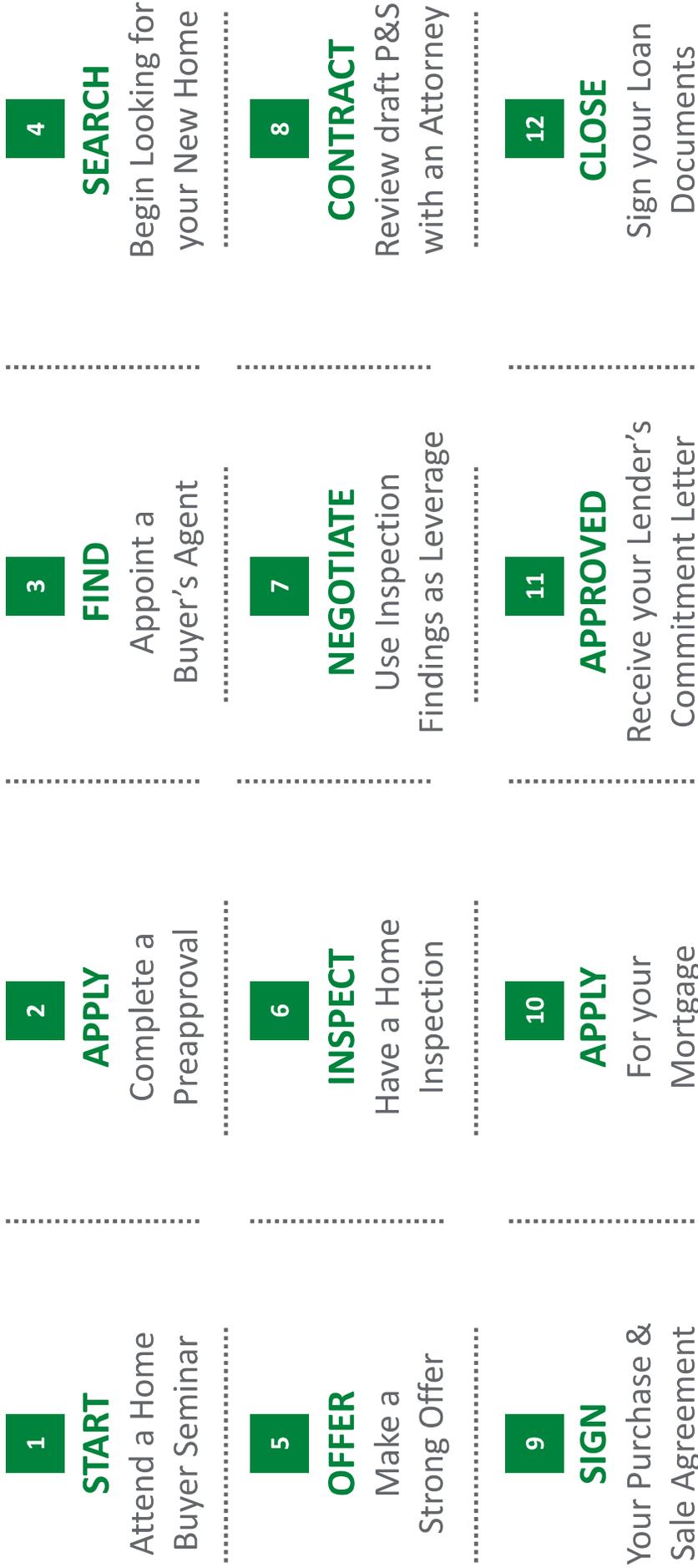
Closing

The closing will take place at an agreed upon location such as Registry of Deeds, Attorney's Office, or local Real Estate Office. All final closing documents are to be signed, and all monies are collected.

Congratulations!
You are now homeowners!



Northern Bank's Guide to Homeownership



LET'S GET TO WORK TOGETHER

More than just a bank.
Real people here to help.



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Thank you.



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