YOUR HOME LOAN TOOLKIT.

Key resources to guide you toward home ownership.

QUALIFYING FOR A MORTGAGE

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Talk to a home mortgage professional from The Union Bank Company.

No matter how early you are in the home buying process, it's important to visit a mortgage professional. If you happen to fall in love with a house, you can better negotiate a price with the seller if you already know how much you want to borrow.

When you get pre-qualified for a loan from us, we can help you determine how much you can afford and how much we can loan you.

Just some of the things we take into consideration:

- Current Income
- Current Debts
- Employment Situation
- Residence Situation
- Available Funds for Down Payment
- Required Reserves

We make the process of getting pre-qualified as simple and painless as possible. Our goal is the same as yours; keep the paperwork to a minimum!

What Happens Once You're Pre-Qualified for a Mortgage?

Once you qualify for a mortgage, we give you what's called a Pre-Qualification Letter (your real estate agent might call it a "pre-qual"), which says that we are working with you to find the best loan to meet your needs and that we're confident you'll qualify for a loan for a certain amount.

When you find a house that catches your eye and you decide to make an offer, being pre-qualified for a mortgage will let you know how much you can offer.

More importantly, to a home seller your being pre-qualified is like you walked into their house with a suitcase full of cash to make the deal. You have the clout of a buyer ready to make a deal!

WHY AN INSPECTION IS IMPORTANT

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What to look for in a Home Inspection

Whether buying or selling a home, you should always have a professional home inspection performed.

A home inspection gives you more than just peace of mind, it can help you identify the systems that make up your home such as:

- Structural Elements (foundation, framing, etc.)
- Plumbing Systems
- Roofing
- Electrical Systems
- Cosmetic Conditions
- And More!

Buying a Home

A home inspection is vital when buying a home. It can **reveal potential issues or hidden problems before the deal is closed.** A home inspection should be required at the time a formal offer is made.

Make sure the contract has an inspection contingency. Then, hire your own inspector and pay close attention to the inspection report. If you aren't comfortable with what he finds, you can cease the offer.

Selling a Home

Likewise, if you are selling a home, you want to know about such potential hidden problems before your house goes on the market. **Almost all contracts include the condition that the contract is contingent upon completion of a satisfactory inspection.** And most buyers are going to insist the inspection be professional, usually by an inspector they hire.

If the buyer's inspector finds a problem, it can cause the buyer to get cold feet and the deal can often fall through. At best, surprise problems uncovered by the buyer's inspector will cause delays in closing, and usually you will have to pay for repairs, or take a lower price on your home.

It's always better to pay for your own inspection before putting your home on the market.

NAVIGATING INTEREST RATES & A.P.R.

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What's more important, your interest rate or your Annual Percentage Rate (A.P.R.)?

This is a common question many borrowers have when navigating the loan process. **While it's important to receive a low interest rate, it's even more important to understand your A.P.R., the "true cost" of your loan.**

An A.P.R. includes:

- Your interest rate
- Points
- Additional fees
- Terms of your mortgage

An A.P.R. prevents lenders from hiding costs. Borrowers should look for a small spread between an interest rate and A.P.R.

It's important to note that an A.P.R. may not reflect certain costs or conditions, such as pre-payment penalties or the length of time your rate is locked. Federal law does not clearly specify what must go into an A.P.R. Hence, it varies from lender to lender.

While your A.P.R. is a great tool for making comparisons when buying a home or refinancing, it's best to consult a mortgage professional before making your final decision.

Mortgage bankers at The Union Bank Company can offer you expert insight on interest rates and A.P.R., as well as answer any additional questions you have.

THE MORTGAGE LOAN PROCESS

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Four steps to your home loan

The mortgage process is not always fun. There are no shortcuts and there is plenty of paperwork. Finding the right mortgage requires the right amount of planning. **While there is no way around this process, The Union Bank Company can help simplify it in a way that lets you focus more of your attention on finding your dream home.**

Step 1: Identifying Your Mortgage Needs

We take the extra steps to ensure you don’t feel like just another number. You’ll **work with one of our professional mortgage bankers from start to finish** so you get the personalized approach you deserve.

We take time to determine your overall goals and help you find the type of loan that suits your needs. Home buyers are often taught to believe the lowest rate is the best option, however choosing a mortgage that that best fits within your unique situation and is in line future financial goals is the right way to approach your loan.

Step 2: Pre-Qualification

In order to get the best idea of your needs, we use this step in the process to absorb information. By asking questions about your employment, income and loan history as well as running a credit report. We can better assess your specific circumstances.

Step 3: Approval

This step of the process is used to complete your loan application. This is your chance to speed up the process by having all necessary documents in order. Some things we may ask for include:

- W-2s (past two years)
- Pay stubs (past month)
- Bank, stock and mutual fund account statements (past three months)

During the approval process **we will be hard at work behind the scenes obtaining a title search and commitment for your mortgage** to secure an appraisal for the home. Our underwriter will validate all information present in your loan application, calculate your income and evaluate your home appraisal.

Once we have completed our research, the mortgage banker that has worked with you every step of the way will contact you with the good news. At this time, we will also review your rate and payment details and prep you for closing.

Step 4: Closing

Whenever and wherever it's convenient for you, we will schedule a time to have you sign the loan documentation. What you will need to have on hand includes:

- Identification
- Proof of homeowner's insurance
- Cashier's check for closing costs and down payment

Once everything is in order, the loan is funded and final disbursements are made.

The most important part of this step? Congratulating you on your new home!

LOAN APPLICATION INFORMATION

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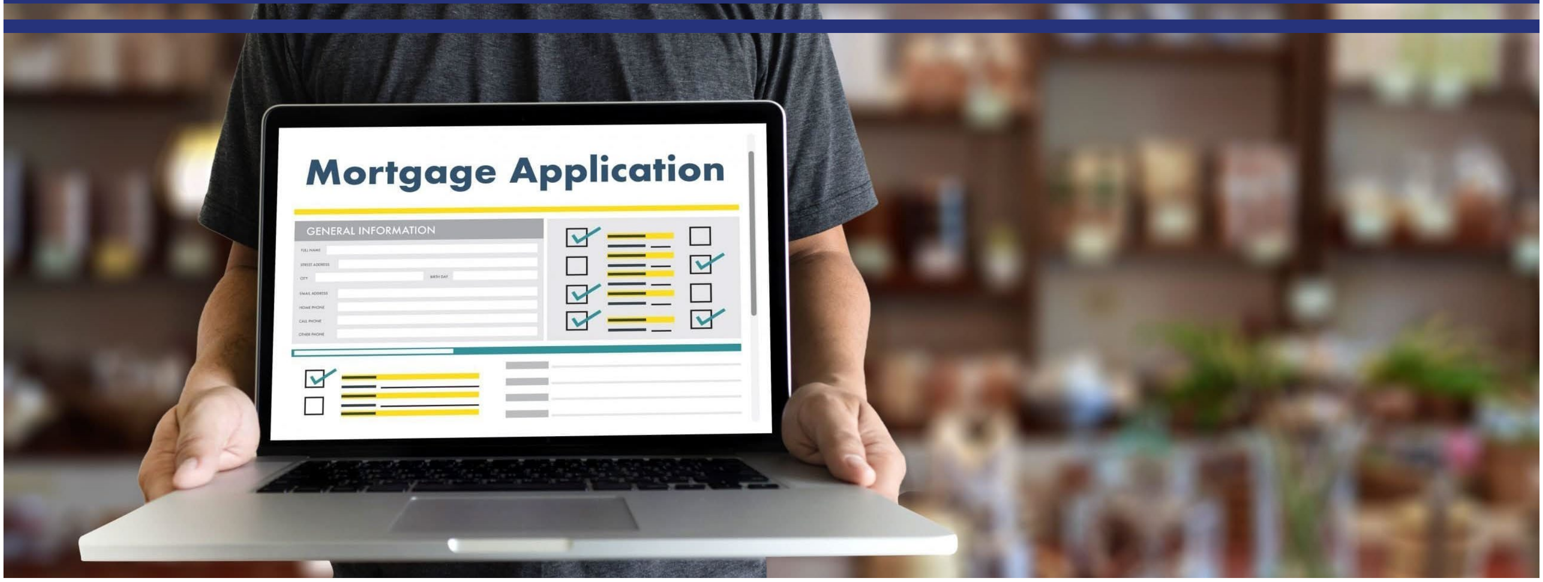

What you need for your application

Thinking of starting our online loan application? **We want you to feel 100% confident that all of the information you provide us will be completely secure.**

We never share your information without permission. If we do share your information, it will be only to tell mortgage lenders about you and to convince them to loan you money. In turn, these mortgage lenders are bound by federal law to keep your information secure.

For All Loans:

- ☐ Social Security Number (for all borrowers)
- ☐ Employment History (for last 2 years)
  - Employment dates and addresses
  - Salary
  - Current pay stubs or W-2 forms
- ☐ Proof of Deposit Accounts
  - Checking, Savings and Certificates of Deposit
  - Bank name and address accounts are located
  - Account numbers and balances
  - Last 3 month's statements
- ☐ Stocks, Bonds, and Investment Accounts
  - Broker's name and address
  - Description of stocks, bonds, etc.
  - Last 3 month's statement or copies of stock certificates
- ☐ Retirement Plan
  - Approximate vested interest value
  - Copy of latest statement
- ☐ Life Insurance Policies
  - Insurance company
  - Policy number
  - Face amount and cash value (if any)
- ☐ Automobiles
  - Make and model
  - Resale value
- ☐ Other Assets
  - Market value of personal and household property
- ☐ Liabilities and Other Non-Mortgage Debt
  - Creditors names and addresses
  - Account numbers
  - Monthly payments and balances

LOAN APPLICATION INFO - CONTINUED

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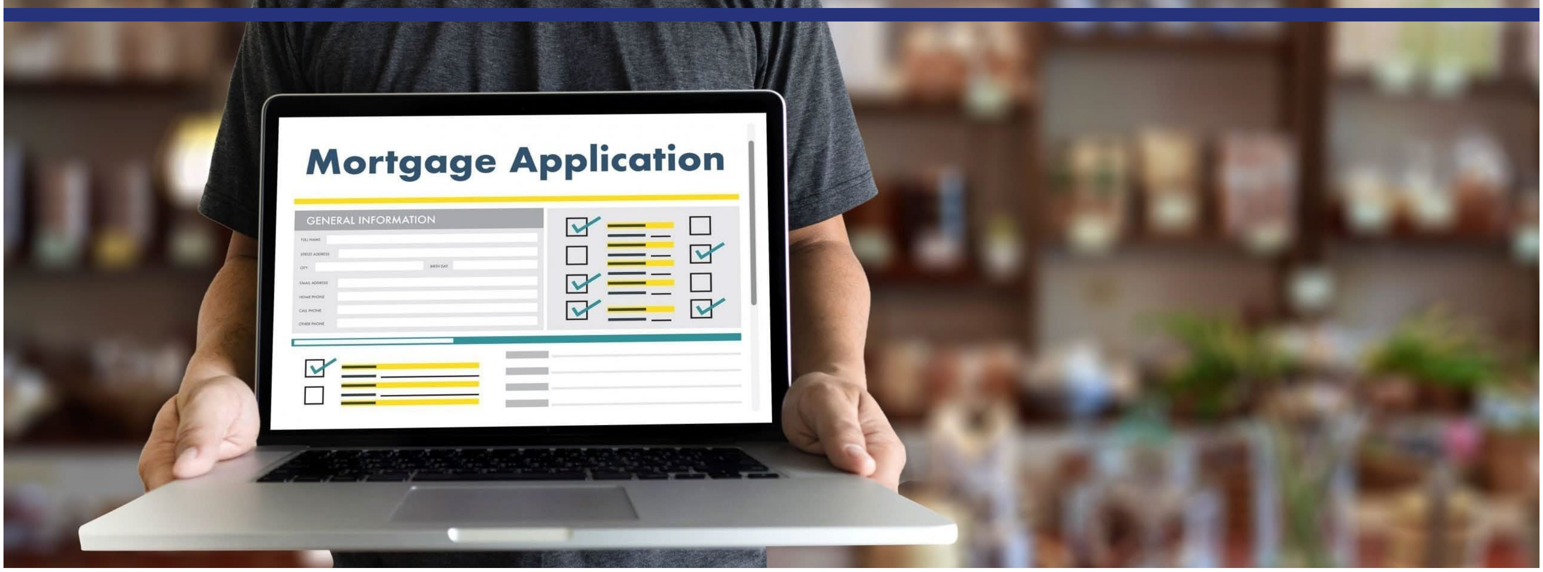

Other Income Information You May Need:

☐ If Self-Employed:
- Tax returns for last 2 years
- Profit and loss statements, both company and personal if separate
- Current balance sheet, signed by CPA

☐ Personal Federal Tax (for last 2 years), if you have income from:
- Commission
- Overtime
- Bonus
- Partnership
- Rental Property
- Trust
- Notes Receivable
- Interest/Dividends

☐ If Employed in Family Business:
- Personal federal income tax for 2 years
- All tax schedules for last 2 years

☐ If Divorced or Separated:
- Complete executed divorce decree and settlement agreement
- Payment history of alimony/child support (past 12 months), if a financial obligation
- If choose to have this considered as part of income, provide 12 months canceled checks or bank statement reflecting income deposits

If You Own Real Estate:

☐ Mortgage Lender Info (for past 2 years)
- Name and address
- Account Numbers
- Monthly payments and balances

☐ If You've Sold Your Home But Not Closed:
- A copy of sales contract

☐ If You've Sold Your Home, Closed and Will Use Proceeds for Down Payment:
- Copy of HUD-1 Uniform Settlement Statement

If You Rent:

☐ Landlord Information (for past 2 years)
- Name, address and phone number

If You're Buying a Home:

☐ Purchase Sales Contract or Purchase Offer:
- Contract with original signatures of buyer and seller

☐ If a Source of Your Down Payment is a Gift:
- Name, address and relationship of donor
- Gift funds will be verified in both the donor and the recipient's accounts

☐ For FHA – Evidence of SSN and Photo ID

☐ For VA – DD214 and Certificate of Eligibility

☐ For Construction/Perm Loan:
- Signed construction with cost breakdown
- Builder plan and specifications

HOME APPRAISAL PROCESS

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Why should you get a home appraisal?

To break it down, the property you want to purchase or refinance is collateral for the loan you are seeking. During the loan process, your lender must receive an independent, professional appraisal of its value.

Scheduling an appraisal upfront can help speed up the loan process by days or weeks.

What Does an Appraiser Do?

The appraiser's job is simple. **They must form an opinion of the property's value based on its condition.** Some other factors taken into consideration include its proximity to schools and the value of similar homes bought and sold in the market.

An appraiser then issues an appraisal report to the lender, and in most cases you also receive a copy.

How Much Does a Home Appraisal Cost?

On average, a home appraisal costs between $300 and $450, depending on the type of appraisal required. It is a required part of the loan process 90% of the time, whether you are buying or refinancing. This is the only expense a borrower can expect to pay directly and upfront.

HOW ESCROW WORKS

Using a mortgage escrow account to successfully close the sale.

Once you've made it to escrow, all the hard work should be done.

To finalize the sale of your home, a neutral, third party (the escrow holder) is engaged to assure the transaction closes properly and on time.

The escrow holder ensures that all terms and conditions of the seller's and buyer's agreement are met prior to the sale being finalized, including:

- Receiving funds and document
- Completing required forms
- Obtaining the release documents for any paid loans or liens

Taking care of all these terms and conditions will help assure you clear title to your property before the purchase price is fully paid.

Documents Necessary for Escrow

The documentation the escrow holder may collect includes:

- Loan documents
- Tax statements
- Fire and other insurance policies
- Title insurance policies
- Terms of sale and any other seller-assisted financing
- Requests for payment for various services to be paid out of escrow funds

Closing

Once all instructions of the escrow have been completed, closing can take place. All outstanding payments and fees are collected and paid at this time.

The title to the property is then transferred to the seller and appropriate title insurance is issued.

The Escrow Holder Will:

- Prepare escrow instructions
- Request title search
- Comply with lender's requirements as specified in the escrow agreement
- Receive funds from the buyer
- Prorate insurance, tax, interest and other payments according to instructions
- Record deeds and other documents as instructed
- Request title insurance policy
- Close escrow when all instructions of seller and buyer have been met
- Disburse funds and finalize instructions

The Escrow Holder Won't:

- Give advice – the escrow holder must maintain neutral, third-party status
- Offer opinions about tax implications

Mortgage Escrow Account

A Mortgage Escrow Account is established to pay ongoing expenses while there is a loan on the house. These expenses include property taxes, home insurance, mortgage insurance and other escrow items.

Generally, the Escrow Account is partially funded at closing and the home buyer makes ongoing contributions through their monthly mortgage payment.

Understanding the three basic categories of home buying costs

With so many charges involved in buying a home, how are you supposed to know what they are?

It is the job of a good lender to give you a Good Faith Estimate (GFE) within three business days of your loan application.

There are three basic categories of settlement costs:

Fees to Get a Mortgage

This includes lender fees and points, as well as a host of other charges involved in obtaining and processing your loan. Points are an upfront charge expressed as a percent of the loan amount (e.g., 1 point is 1% of the loan) to increase the lender's effective yield on a loan.

Specific lender fees can include:

- **Loan Origination Fee** – This is a charge for your lender's work in evaluating and preparing your mortgage loan.
- **Application Fee** – This charge covers the initial costs of processing your loan application and obtaining your credit report.
- **Appraisal Fee** – Your lender will need an opinion from an independent appraiser of the market value of the home you wish to purchase. On average, a home appraisal costs between $300 and $450, depending on the type of appraisal required.
- **Survey** – This fee goes to a surveying firm who will verify that your lot has not been encroached upon by any structures since the last survey conducted on the property, and ensures that the home and other structures are legally where the seller says they are.

HOME BUYING COSTS - CONTINUED

- **Mortgage Insurance** – A lender may require this type of insurance for buyers who make a down payment of less than 20 percent of the value of the house. The policy covers the lender's risk in the event the buyer fails to make the loan payments. Premiums are typically paid annually from an escrow or reserve account, or in a lump sum at closing.
- **Homeowner's Insurance** – Insurance that protects property against loss caused by fire, some natural causes, vandalism, etc., depending on the terms of the policy. Also includes coverage such as personal liability and theft away from home. Your lender will expect you to have a policy in effect by closing.

Fees to Establish and Transfer Ownership of the Property

Your lending institution is not likely to give you a mortgage on a house unless you can prove that the seller owns the property you want to buy. This is where title search and title insurance fees come into play.

A title agent will verify that the seller is, indeed, the owner of the property and issue a title insurance policy to guard the lender against any errors that could have occurred in the searching process.

The cost of the policy is usually based on the loan amount. There may also be attorney, escrow, courier fees and other charges involved in the settlement process.

Fees to State and Local Governments

These fees include transfer, recordation and property taxes collected by local and state governments. Your taxes are based on the assessed value of the home, which you pay for community services such as schools, public works, and other costs of local government.

Taxes can often be paid as a part of your monthly mortgage payment.

EXPLAINATION OF PMI

Learn about Private Mortgage Insurance

Private Mortgage Insurance (PMI) is extra insurance lenders require from most homebuyers when the loan exceeds 80% of the property's value. Unless your down payment is more than 20%, you will likely need PMI.

PMI accomplishes two things in the mortgage industry:

- First, it allows borrowers to purchase a home without having to save for years to make a large down payment.
- Second, it protects the lender against loss if the borrower defaults on the loan.

The type of mortgage you have will determine what your PMI premium will be (your credit history has no bearing). The cost will typically be included in your monthly mortgage payment. It amounts to approximately one half of one percent annually.

Not a math person? See how it breaks down.
If your loan amount is $100,000, you can expect to pay $500 per year for PMI ($100,000 × .01% = $1,000 × .5 = $500).

WHY PEOPLE PAY POINTS

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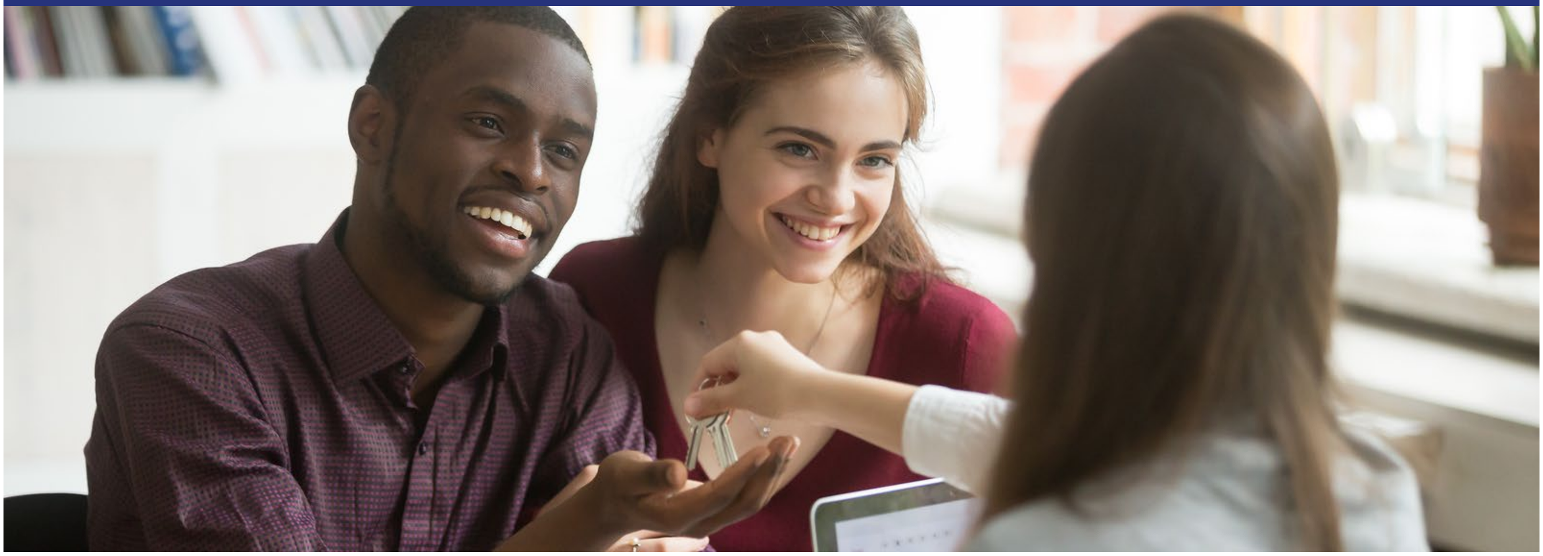

There are two types of mortgage points: origination points and discount points.

What are origination points?

Origination points are a fee borrowers owe their loan provider and are generally negotiable, based on credit history and loan amount. Other companies may charge origination fees. As a direct lender, The Union Bank Company *never* charges origination fees.

What are discount points?

Discount points are a form of pre-paid interest on a loan; one point is equivalent to one percent of the interest of the mortgage amount (So one point on a $150,000 mortgage is $1,500). Discount points are tax deductible in the year they are purchased and can be beneficial for both the borrower and the loan provider. The loan provider will benefit from receiving cash up front, and if the borrower holds on to the mortgage long enough they will benefit from lower interest rates in the future. Depending on market conditions, for every one point (1% of your mortgage), a borrower buys generally lowers the interest rate on a mortgage between 0.2 and 0.5%. It's important to discuss with your mortgage banker whether paying points is right for you, as ever situation will vary. Most lenders allow borrowers to purchase anywhere from zero to three discount points and many times the advertised rates you see include the purchase of discount points.

Many homebuyers pay points if they plan to stay in their home for a long time and will see a huge benefit from the reduced interest rates down the line. Homebuyers who purchase discount points up front will not see a savings on interest rate payments for years into their mortgage which make discount points a good alternative for long-term homebuyers but probably not the best option for short-term homebuyers and investors.