

THE HOME BUYING *Process*

Your Complete Guide



Northern Trust

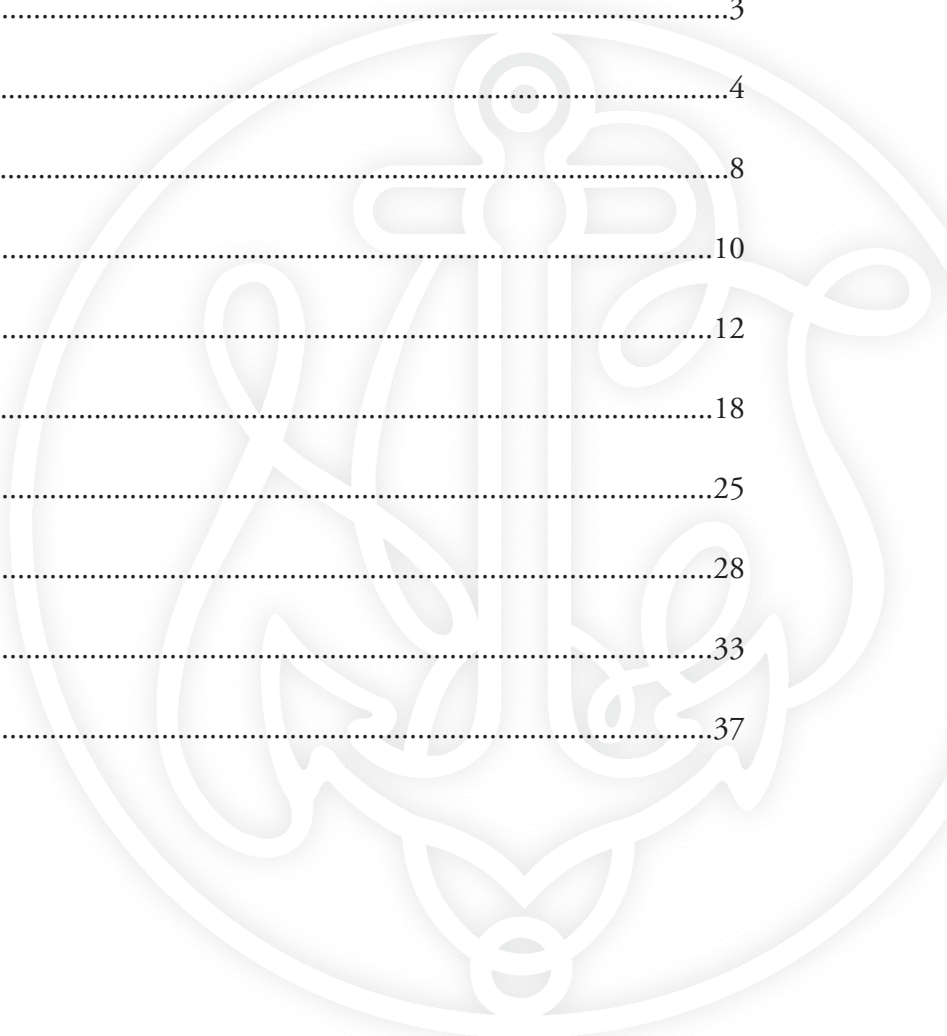


THE HOME BUYING *Process*

BUYING A HOME IS ONE OF THE MOST IMPORTANT purchases you may ever make. Northern Trust wants to make it as easy for you as possible. We've put together this comprehensive workbook to guide you through every step of the home buying process.

Here's what you'll learn:

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The Path to Buying a Home

THERE IS NO ONE “RIGHT” WAY to buy a house. The exact steps and order of the steps may vary depending on where you live and your personal situation.

Here is one possible list of steps in buying a home:

1. Decide that you would rather own a home than rent.
2. Decide how much you can afford. A worksheet on page 37 can help. Complete the form and contact a loan officer at Northern Trust.
3. Given your price range, decide what kind of home you want/need: size, location, special features (such as a fireplace or fence), etc.
4. If possible, get “pre-qualified” for a loan. This means a lender or real estate broker informally will qualify you for a loan by getting basic information on your income, debts, and possibly your credit. By getting pre-qualified, you usually can get a good estimate of how much money you could borrow for a home.
5. Begin looking for your new home. Allow enough time (up to several months) to see a number of houses so that you have a good basis for making a final decision. Contact a real estate broker to help you with your search.
6. When you find a home that you like, carefully give it your own personal inspection.
7. If you’re comfortable with the home, make an offer to purchase. If the offer is accepted you will be required to make a partial down payment, sometimes called “earnest money.” If the seller accepts your offer you will sign a sales contract. Make sure the contract allows you to get your earnest money back if a professional inspection reveals problems with the house, or in case you aren’t able to get approved for a loan, or a review of the contract by your attorney uncovers any problems.
8. Get a professional inspection of the home. Your lender also will require a professional appraisal of the home to decide its market value.
9. Apply for a mortgage loan.
10. Close the loan. That’s when you make the rest of your down payment, pay loan fees, sign all necessary legal documents, and get the keys to your new home.
11. Move into your new home!

The Advantages: Buying vs. Renting

The Decision to Buy or Rent

Deciding that you would rather own than rent is the important first step in the path to buying a home. Here are just a few advantages of each to help you weigh your decision.

If you BUY:	If you RENT:
➤ You build equity or ownership in the property, which you later may sell at a profit.	You don't need a large amount of money for a down payment.
➤ You can deduct mortgage interest and property taxes on your tax return.	You often may have heat and other utilities included in your regular monthly payment.
➤ You can borrow against the equity you've built up in your home, as allowed by state law.	You generally are not responsible for repairs and maintenance.
➤ You can rent your property to produce income as long as your home does not have more than four family units and you occupy one of them.	You don't risk having to sell when home prices are down.

What's in a Mortgage Payment?

WHEN YOU MAKE A HOUSE PAYMENT, EXACTLY what are you paying for? You're probably familiar with principal and interest, which are the major parts of your mortgage payment. Here is a breakdown of all the costs included in your mortgage payment:

1. *Principal*

The amount of money you borrowed. Each month when you make your mortgage payment, you are paying back a small portion of the principal, with the balance of the payment going toward interest. Over time, interest will become a smaller part of your monthly payment.

2. *Interest*

The cost of borrowing money, usually expressed as an annual percentage of the loan amount, for example 6%, 6.5%, etc.

3. *Property Taxes*

Taxes paid to local governments, usually charged as a percentage of the property value. Your lender may collect the taxes through your monthly payments. The amount of tax will vary depending on where you live.

4. *Hazard Insurance*

A contract that protects you and the lender from any financial losses on your property that might result because of fire, flood, or other "hazards."

5. *Flood Insurance*

Under the National Flood Insurance Reform Act of 1994, mortgage lenders are required to obtain a flood determination, at your expense, on the property which you are financing. If the property improvements are determined to be in a Special Flood Hazard Area, you will be required to purchase flood insurance in the amount required under the Act.

6. *Mortgage Insurance*

An insurance policy that pays mortgage lenders for part of their financial losses if a borrower fails to fully repay a loan. Mortgage insurance makes it possible to buy a home with a low down payment. Most lenders do not require mortgage insurance if your down payment is at least 20 percent of the purchase price.

Lenders often refer to principal, interest, taxes, and insurance as PITI. Generally, the PITI is the amount you will pay each month for your mortgage.

7. *Escrow Account*

An account established to pay real estate taxes, homeowner's insurance, and if necessary, mortgage insurance.

Chart 1: Calculate Your Payment

Chart 1 shows how the loan amount and the interest rate affect the monthly payment on a 30-year, fixed-rate mortgage. As the chart indicates, the bigger the loan amount and the higher the interest rate, the larger the borrower's monthly payment. You may wonder how these monthly payments are calculated. Most mortgages are fully "amortized." This means that at the end of the repayment period (after 30 years of making the same monthly payment), you will have repaid the entire amount of principal and all the interest charged by the lender. The house is then yours, free and clear.

The amount of your mortgage will depend on how much you borrow, the term (repayment period) of the loan, and the interest rate. If you know how much you need to borrow (the purchase price minus your down payment) and what the interest rate will be, you can use this chart to find what your monthly payment will be if you get a standard 30-year, fixed-rate mortgage.

Note that this chart includes only principal and interest payments, not property taxes, hazard insurance, mortgage insurance (if required), or flood insurance (if required).

Loan Amount	Interest Rate								
	4.5%	5%	5.5%	6%	6.5%	7%	7.5%	8%	8.5%
➤ 50,000	253	269	284	300	316	333	350	367	384
➤ 55,000	279	295	312	330	348	366	385	404	423
➤ 60,000	304	322	344	360	379	399	420	440	461
➤ 65,000	329	349	369	390	411	432	454	477	500
➤ 70,000	355	376	397	420	442	466	489	514	538
➤ 75,000	380	403	426	450	474	499	524	550	577
➤ 80,000	405	429	454	480	506	532	559	587	615
➤ 85,000	431	456	483	510	537	566	594	624	654
➤ 90,000	456	483	511	540	569	599	629	660	692
➤ 95,000	481	510	539	570	600	632	664	697	730
➤ 100,000	507	537	568	600	632	665	699	734	769
➤ 110,000	557	591	625	660	695	732	769	807	846
➤ 120,000	608	644	681	719	758	798	839	880	923
➤ 130,000	659	698	738	779	822	865	909	954	1,000
➤ 140,000	709	752	795	839	885	931	979	1,027	1,076
➤ 150,000	760	805	852	899	948	998	1,049	1,101	1,153
➤ 160,000	811	859	909	959	1,011	1,064	1,119	1,174	1,230
➤ 170,000	861	913	965	1,019	1,075	1,131	1,189	1,247	1,307
➤ 180,000	912	966	1,022	1,079	1,138	1,198	1,259	1,321	1,384
➤ 190,000	963	1,020	1,079	1,139	1,201	1,264	1,329	1,394	1,461

Your Gross Income

In calculating your gross (before-tax) income, you can count all reported income that you get on a regular basis.

Your Existing Debt Payments

Lenders will consider your existing debt in determining how large a mortgage to grant you. They are interested in your “long-term debt,” which is defined as any debt that will take more than 10 months to pay off. Please note that this rule does not apply to credit card debt.

If your monthly debt payments are excessive for your income level (based on the qualifying guidelines), this will reduce the amount you can borrow to buy a house. Use Chart 2, “Are Your Debts Excessive?” to see where you stand.

Getting Help

If you have any doubt about what size mortgage you will qualify for, having a lender pre-qualify you for a mortgage amount will be well worth the small amount of effort. This also would be a good time to discuss with the lender what type of mortgage will best meet your needs.

Chart 2: Are Your Debts Excessive?

Use this chart to find out how much existing monthly debt most lenders find acceptable for borrowers at your income level (based on the “36 percent” qualifying test). Then compare this figure with your actual monthly debt. If your actual debt exceeds the “allowable” debt (including revolving and installment debt), this will reduce the amount of mortgage you qualify for:

Gross Annual Income	Allowable Debt Payments
➤ \$20,000	\$133
➤ 25,000	167
➤ 30,000	200
➤ 35,000	233
➤ 40,000	267
➤ 45,000	300
➤ 50,000	333
➤ 55,000	367
➤ 60,000	400
➤ 65,000	432
➤ 70,000	467

Your Closing Costs

Closing, or settlement, is the formal process of transferring the property title from the seller to you, the buyer. When you apply for a loan, the lender will give you an estimate of closing costs. The costs may include these items:

Origination fees

Your lender may charge a fee to cover the administrative costs of processing your loan. This fee usually is a small percentage of the loan amount.

Items paid in advance (prepaid escrows)

Most lenders require you to pay for some items that will be due after closing. These prepaid items usually include first-year insurance premiums (for hazard and mortgage insurance) and real estate taxes.

Title charges

A title is the document that shows who owns a property. It is necessary for an attorney to examine a title to make sure there are no problems that would prevent you from having “clear” (legal) title. It is necessary to get title insurance in case someone else should try to claim title to your property. Fees for title examination and title insurance will be included in your closing costs.

Recording and transfer charges

A record of your home purchase will be on file with your local government, and there will be a fee to cover the cost of the paperwork required.

Attorney's fees

This fee is to pay the attorney or closing officer for preparing and reviewing all of the documents needed to close your loan.

Your exact closing costs will depend on where you live, how you finance your mortgage, and your closing date. Sometimes the seller of the house may agree to pay some of the costs. The seller generally is permitted to pay closing costs up to 3 percent of the sales price or appraised value of the home, whichever is less.

You can expect to pay closing costs from 3 percent to 6 percent of the amount of your mortgage loan. For example, if your mortgage is \$85,000, your closing costs might range from \$2,550 to \$5,100. And remember — the closing costs are in addition to your down payment.

Home Financing Options

A BROAD RANGE OF FINANCING OPTIONS exists for today's home buyer, and it seems as if new ones are constantly being added. Until recently, first mortgages generally were fixed-rate conventional, or FHA or VA guaranteed mortgages. Today, consumer needs — and changes in government regulations — have created many variations on the traditional first mortgage options.

Consumer need for more affordable financing also has greatly increased the use of creative financing plans. Most mortgages today are either fixed-rate or adjustable-rate, or sometimes a hybrid of the two. Your choice will depend on how much money you have available, how long you plan to stay in your home and whether you think interest rates will go up or down.

Summarized here are some first mortgage options currently available in many areas, and the most commonly used creative financing plans. Use the summaries that follow to help you compare financing options and decide which alternatives are right for you and the home you will buy.

Fixed-Rate Mortgages

The interest rate on these types of mortgages is set according to economic conditions at the time the loan is made, and remains the same for the entire term of the loan — usually 15 to 30 years. You'll always know what you'll pay and for how long. Your monthly payments also remain fixed for the entire term. During the early years, your payments are nearly all interest. Toward the end of your loan's term, payments are almost all principal.

30-Year Fixed-Rate Mortgage

The primary advantage offered by a fixed-rate mortgage amortized over 30 years is that the monthly payments are usually lower than they would be with a shorter term. These reduced payment amounts may make it possible for you to purchase a more expensive home than you could with a 15-year fixed-rate mortgage.

15-Year Fixed-Rate Mortgage

Since a 15-year mortgage is paid off twice as quickly as a 30-year mortgage, your total interest payments could be substantially lower over the entire term of the mortgage. However, your monthly payments are usually higher than they would be with a longer term. Also, a 15-year fixed-rate mortgage builds equity more rapidly than a longer term mortgage — an important consideration for buyers who plan to move again in a few years.

Adjustable-Rate Mortgage (ARM)

These are long-term mortgage instruments on which the interest rate may be adjusted periodically according to the terms of the loan agreement. The interest rate is tied to a nationally recognized interest rate index that is not under the lender's control. Rates change on a regular schedule — such as once a year — to reflect fluctuations in the interest rate index. Your total cost can't be figured in advance, and monthly payments may rise or fall over the loan's term.

Important features to look for in an ARM are the rate caps. There are two types: an Adjustment-to-Adjustment rate cap limits the amount your rate can increase or decrease at each adjustment period; a Life-of-Loan rate cap limits the amount the rate can rise or fall during the entire term of your mortgage.

Lenders generally charge lower initial interest rates for ARMs than for fixed-rate mortgages. This makes the ARM easier on your pocketbook in the beginning. It also means that you might qualify for a larger loan because lenders sometimes make this decision on the basis of your current income and the first year's payments. In addition, your ARM could be less expensive over a longer term if interest rates remain steady or decline.

Against these advantages, you have to weigh the risk that an increase in interest rates would lead to higher monthly payments in the future. It's a trade-off — you get a lower rate with an ARM in exchange for assuming more risk.

Interest-Only Mortgage

With an interest-only mortgage, you pay only the interest on your loan, in monthly payments for a fixed term. Interest-only mortgages generally are available for periods of three, five and seven years. At the end of the term, you may either:

- Refinance;
- Pay the balance in a lump sum; or
- Start paying principal in addition to interest, in which case your monthly payments increase significantly.

“Buydowns”

This is a financing option that can be used with virtually any mortgage product to reduce — or “buydown” — the mortgage interest rate for a period of time. The seller, builder/developer, buyer — either alone or in any combination — makes a payment at closing to the lender to subsidize the monthly payments for a specified period of time. The actual buydown amount is the difference between the monthly payments at the interest rate and your monthly payments over the specified time period.

Home Buyer's Checklist

AFTER YOU KNOW HOW MUCH YOU CAN AFFORD for a new home and the type of mortgage that fits your needs, it's time to decide what features you most want your home to have. Here's a list of items to think about as you're moving through the home-buying process.

1. Financial Considerations

- Maximum down payment you can afford
- Maximum monthly payments that fit your budget
- Type of financing offered by seller (home financing options are described in the previous section)

2. Neighborhood

- Home values (rising/falling/stable)
- General condition
- School district and schools
- Public transportation
- Airport (distance, service)
- Friends, relatives nearby
- Major roads, highways, traffic
- Quiet, private
- Children
- Safety, security
- Zoning restrictions
- Convenience to stores and recreational facilities
- Full municipal services

3. Age of Home

- New construction
- Older structure

4. Home Space

- Total square footage (under roof, heated area)
- Bedrooms (number, size, closets)
- Bathrooms (number, size, location)
- Kitchen (size, built-ins, appliances, counter space, cabinets, eating area, pantry)
- Living room (size, location)
- Dining room or area (size)
- Family room (size and location)
- Utility/Laundry room (location)
- Garage/carport (attached)
- Storage space, utility areas
- Basement (finished/unfinished, crawl space, recreation room)
- Attic
- Traffic patterns
- Conversion and/or expansion capabilities
- Space requirements for hobbies and special circumstances

5. Interior Features

- Move-in condition or “fixer upper”
- Fireplace(s)
- Type of floors
- Carpeting (condition, color)
- Drapes, curtains (location, condition)
- General appearance (need to redecorate)
- Walls (plaster, drywall, papered, painted)
- Type of interior wood finish (natural wood, painted)
- Bathrooms (new, older)
- Kitchen (new, needs remodeling)

6. Exterior Features

- Style (colonial, contemporary, modern, split-level, ranch, two-story, Tudor, Spanish)
- Balconies, deck, patios, porches (open, screened)
- Roof (composition, age, condition)
- Exterior finish (brick, stone, aluminum siding, cedar, stucco, masonite, clapboard, combination, trim)
- Maintenance requirements of exterior materials
- Size of lot and maintenance required
- Access to lot
- Landscaping

7. Energy Efficiency

- Type of heating
- Central air conditioning
- Energy costs (high or low)
- Insulation
- Storm windows
- Weather stripping

Inspecting Your Home

Why inspect a house before buying?

If you find that a house has a major defect, you may decide that you don't want it. Or you may be able to use the defect to bargain for a lower sales price.

You can't always rely on the seller or broker to tell you about problems with a house.

For most people, buying a house is a "stretch" during the first couple of years of ownership. If you find that you need to make an unexpected, expensive repair after you have bought the house, you could find yourself in serious financial trouble.

Is it a good idea to get a professional inspection?

Yes. A professional inspector often can find problems with a house that you wouldn't uncover on your own. Since your house is likely to be the biggest purchase you ever make, you should know what you're buying.

What does a professional inspector do?

An inspector checks the house from basement to roof, including plumbing, heating, cooling and electrical systems, roof, floors, foundations, and the visible structure of the house. If any repairs are necessary, the inspector can suggest the best ways to make them and give you cost estimates.

How much does a professional inspection cost?

Costs will vary depending on the area where you are purchasing, but you can expect to pay from \$150 to \$300.

Can I expect an inspection to reveal every physical problem with a house?

No. An inspector will give you a full report on any problem he or she uncovers, but there's no guarantee that every problem with the house was discovered. Still, an inspection greatly reduces your chances of finding a major problem after you move in the house.

What is the difference between an inspection and an appraisal?

An inspection is performed to evaluate the physical condition of a property and an appraisal is an estimate of the property's current market value.

Inspecting on Your Own

Although it is important to get a professional inspection of a home you want to buy, you also should inspect the home yourself. To avoid expensive repairs after you move in, know the condition of the home's structure, plumbing, and wiring before you buy the house. Remember: if you have to make an unexpected, expensive repair during the early years of owning your home, it could really strain your budget. Unless the seller agrees in writing to pay for necessary repairs, don't agree to buy a home until you feel sure it is in good condition.

As you go house hunting, here are some items you should look for:

Structural defects

In the basement, check the foundation for cracks or water marks. Examine the condition of the floor joists (the wall-to-wall supports) and structural beams. Inside the house, check the floors to see if they are level. Uneven floors could be a sign of settling due to age — or it could mean problems with the supporting joists. Finally, examine the house from the outside. Does the roof sag? If so, examine the rafters in the attic.

Signs of water damage

Look for an unevenly painted ceiling or wall, a mildew odor in the basement, or evidence of re-plastering or re-tiling in just one area of the room.

Lack of water pressure

You can test this by flushing toilets and turning on hot and cold water faucets at the same time.

Faulty plumbing

Ask what kind of pipes (copper or plastic, e.g.) are installed and how old they are. Some older houses have pipes that may corrode over time and become clogged. For homes that have private waste disposal facilities, ask when the septic system was last inspected and cleaned. Stand near the tank and see if any odor is coming from it or if there are any soggy areas around it.

Inadequate wiring

Most homes should have at least 100 amp service to handle today's electrical needs. A 100 amp system uses a one-inch main line, which can be seen leading into the fuse box or circuit breaker system. Appliances that use a large amount of electricity, such as a dryer or range, call for a larger 220 amp line. (If you're unfamiliar with wiring, a professional inspector can answer any questions.)

Other electrical problems

Look for obvious signs of electrical problems, such as lights that flicker or don't work. Notice the number of electrical outlets available, too. Most experts recommend at least two outlets for each room.

Energy efficiency

In a home that is not energy efficient, your winter heating bills could be higher than your mortgage payment. Take the time to check these items:

- **Last year's heating and cooling bills.** Don't be shy about asking for bills or cancelled checks. And find out whether any other heat sources, like space heaters, were used.
- **Furnace.** Check with the seller's fuel dealer or furnace service company to verify the condition of the furnace and whether it is adequate for the size of the house.
- **Insulation.** New homes should have six inches of insulation in the walls and under the floor, and about 12 to 18 inches in the ceiling. For older homes, ask if any insulation has been added.

Termites

Small accumulations of sawdust in the basement may indicate an insect problem. Find out the date and results of the last termite inspection. If no inspection has been made in the last two years, arrange for an immediate inspection (especially important for a frame home) or make sure that your home's sales contract states that the sale is subject to a satisfactory termite inspection.

Checking the Interior

When you consider a home for purchase, use this checklist of the home's interior features as a guide. Record important details and note anything that requires changing, repair, or special maintenance.

A careful analysis will help you anticipate future expenses associated with the home and possibly negotiate a lower selling price if major repairs are needed.

General Considerations

- Age
- Floor Plan
- Square Footage
- Traffic Pattern
- Stair Width
- Hall Width
- Ceiling Height
- General Appearance
- Number and Location of:
 - Entrances
 - Fireplaces
 - Closets
 - Other Storage Areas

Room by Room

Use the following chart to help you make a thorough check of each interior area in the home. Don't forget the basement, attic, and hallways. In addition, investigate any signs of structural or water damage (wall cracks, moisture, etc.).

	Materials	General Condition	Maintenance Needs	Cost to Repair
➤ Walls				
➤ Woodwork				
➤ Wall Covering				
➤ Paint				
➤ Ceiling				
➤ Floor				
➤ Floor Covering				
➤ Doors				
➤ Windows				
➤ Window Treatments				
➤ Lighting				
➤ Electrical Outlets				
➤ Appliances				
➤ Fixtures				
➤ Built-Ins				
➤ Storage				
➤ Ventilation				

Checking the Home Site and Exterior

The quality of the site can affect your comfort, pocketbook and peace of mind, so a site inspection takes top priority. Site location and site preparation are fundamental considerations. Poor site selection and preparation can lead to damage of the house and yard. Take time to ask yourself the following questions when you inspect a home for sale.

- Does the lot tend to slope away from the house, indicating good drainage? Do adjacent streets and yards slope toward or away from the house?
- If the house is built on or near a steep slope, how stable is the slope? Remember that even a small earth slide can be destructive.
- If the house is new, was grading designed to minimize potential settlement problems? Ask to see the grading plans; if you're still in doubt, consult an expert.

Exterior Checklist

Constantly exposed to wind and weather, the exterior of every home requires seasonal or periodic maintenance. Exterior upkeep can be a big ticket expense, more so for some homes than others. If you make a careful assessment of outside building

materials and landscaping features before you buy, you will avoid expensive surprises later.

Use these charts to help you check out specific homes you are considering for purchase.

House and Garage

	General Materials	Maintenance Condition	Cost to Needs	Repair
> Walls				
> Trim				
> Windows				
> Roof				
> Gutters/Downspouts				
> Chimney				
> Porches				
> Entrances/Locks				
> Electrical Outlets				
> Faucets				
> Other				

Landscaping

	General Materials	Maintenance Condition	Cost to Needs	Repair
> Walls				
> Patio(s)				
> Driveway				
> Lawn				
> Trees				
> Bushes				
> Fencing				
> Retaining Walls				
> Other				

Home Loan Application

Applying for Your Mortgage

Your Home Loan Application provides your lender with all the basic information about your financial history. These pages will guide you through a sample Northern Trust form. Always read your application carefully and follow all instructions.

- 1 Check the appropriate box.
- 2 Fill in the amount you plan to borrow.
- 3 Enter the complete address of the home you plan to purchase.
- 4 Enter the number of units in the property.
- 5 Provide a brief legal description of the property, if available.
- 6 Indicate the year the home was built.
- 7 Check the type of loan.
- 8 Indicate if the home will be a primary or secondary residence or investment property.
- 9 Complete this line if you are applying for a construction or construction-permanent loan.
- 10 Complete this line only if you are refinancing.
- 11 List the name(s) of the person(s) who will hold title.
- 12 Indicate if the title of your new home will be held individually, jointly, in joint tenancy, in land trust, etc.
- 13 Give the source of funds for your down payment, such as sale of existing home, gift or savings.
- 14 Complete this section for applicant and co-applicant, if applicable.
- 15 Complete this section if residing at the present address for less than two years.
- 16 List the name and address of your employer and the number of years you have worked there. Include copies of your W2s for the past two years and a pay stub(s) from within the last 30 days. If you are self-employed, please include copies of your federal income tax returns, and a year-to-date profit and loss statement. Please sign and date copies.
- 17 If you have worked less than two years at your current position or have more than one job, give the prior employers' names and addresses.

Sample Home Loan Application

This application is designed to be completed by the applicant(s) with the Lender's assistance. Applicants should complete this form as "Borrower" or "Co-Borrower," as applicable. Co-Borrower information must also be provided (and the appropriate box checked) when the income or assets of a person other than the "Borrower" (including the Borrower's spouse) will be used as a basis for loan qualification or the income or assets of the Borrower's spouse will not be used as a basis for loan qualification, but his or her liabilities must be considered because the Borrower resides in a community property state, the security property is located in a community property state, or the Borrower is relying on other property located in a community property state as a basis for repayment of the loan.

I. TYPE OF MORTGAGE AND TERMS OF LOAN					
Mortgage Applied for: <input type="checkbox"/> VA <input type="checkbox"/> Conventional <input type="checkbox"/> Other (explain):		Agency Case Number		Lender Case Number	
<input type="checkbox"/> FHA <input type="checkbox"/> USDA/Rural Housing Service					
Amount \$	Interest Rate %	No. of Months	Amortization Type: <input type="checkbox"/> Fixed Rate <input type="checkbox"/> GPM <input type="checkbox"/> Other (explain):	<input type="checkbox"/> ARM (type):	
II. PROPERTY INFORMATION AND PURPOSE OF LOAN					
Subject Property Address (street, city, state, & ZIP)					No. of Units
Legal Description of Subject Property (attach description if necessary)					Year Built
Purpose of Loan <input type="checkbox"/> Purchase <input type="checkbox"/> Construction <input type="checkbox"/> Other (explain):			Property will be:		
<input type="checkbox"/> Refinance <input type="checkbox"/> Construction-Permanent			<input type="checkbox"/> Primary Residence <input type="checkbox"/> Secondary Residence <input type="checkbox"/> Investment		
<i>Complete this line if construction or construction-permanent loan.</i>					
Year Lot Acquired	Original Cost \$	Amount Existing Liens \$	(a) Present Value of Lot \$	(b) Cost of Improvements \$	Total (a + b) \$
<i>Complete this line if this is a refinance loan.</i>					
Year Acquired	Original Cost \$	Amount Existing Liens \$	Purpose of Refinance	Describe Improvements <input type="checkbox"/> made <input type="checkbox"/> to be made	Cost: \$
Title will be held in what Name(s)			Manner in which Title will be held	Estate will be held in:	
Source of Down Payment, Settlement Charges and/or Subordinate Financing (explain)				<input type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold (show expiration date)	
Borrower			Co-Borrower		
III. BORROWER INFORMATION					
Borrower's Name (include Jr. or Sr. if applicable)			Co-Borrower's Name (include Jr. or Sr. if applicable)		
Social Security Number	Home Phone (incl. area code)	DOB (MM/DD/YYYY)	Yrs. School	Social Security Number	Home Phone (incl. area code)
<input type="checkbox"/> Married <input type="checkbox"/> Unmarried (include single, divorced, widowed)		Dependents (not listed by Co-Borrower) no. ages		<input type="checkbox"/> Married <input type="checkbox"/> Unmarried (include single, divorced, widowed)	
<input type="checkbox"/> Separated				<input type="checkbox"/> Separated	
Present Address (street, city, state, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent No. Yrs.			Present Address (street, city, state, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent No. Yrs.		
Mailing Address, if different from Present Address			Mailing Address, if different from Present Address		
<i>If residing at present address for less than two years, complete the following:</i>					
Former Address (street, city, state, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent No. Yrs.			Former Address (street, city, state, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent No. Yrs.		
Borrower			Co-Borrower		
IV. EMPLOYMENT INFORMATION					
Name & Address of Employer <input type="checkbox"/> Self Employed		Yrs. on this job	Name & Address of Employer <input type="checkbox"/> Self Employed		Yrs. on this job
		Yrs. employed in this line of work/profession			Yrs. employed in this line of work/profession
Position/Title/Type of Business		Business Phone (incl. area code)	Position/Title/Type of Business		Business Phone (incl. area code)
<i>If employed in current position for less than two years or if currently employed in more than one position, complete the following:</i>					
Name & Address of Employer <input type="checkbox"/> Self Employed		Dates (from - to)	Name & Address of Employer <input type="checkbox"/> Self Employed		Dates (from - to)
		Monthly Income \$			Monthly Income \$
Position/Title/Type of Business		Business Phone (incl. area code)	Position/Title/Type of Business		Business Phone (incl. area code)
Name & Address of Employer <input type="checkbox"/> Self Employed		Dates (from - to)	Name & Address of Employer <input type="checkbox"/> Self Employed		Dates (from - to)
		Monthly Income \$			Monthly Income \$
Position/Title/Type of Business		Business Phone (incl. area code)	Position/Title/Type of Business		Business Phone (incl. area code)

- 18 List all of your gross monthly income. If dividend/interest income is included in the figure, please include your federal tax returns for the last two years.
- 19 List your current monthly housing expense.
- 20 Please include any additional income for consideration in evaluating your application. If child support or alimony is included, please provide a copy of your divorce decree and evidence of receipt for the previous 12 months.
- 21 Indicate where your earnest money is being held and the amount.
- 22 Please list all accounts with account number, balance and financial institution, including address and zip code.
- 23 List any stocks and bonds you own and the company that holds them. Include copies of statements for the previous three months.
- 24 List the net cash value of any life insurance you own.
- 25 Enter the present market value of any real estate you own.
- 26 List the amount of any vested interest you have in retirement funds, including 401(k)s and IRAs.
- 27 Give the net worth of any business(es) you own. Please attach a financial statement for each.
- 28 Enter the value of any automobile(s) you own.
- 29 List personal property such as home furnishings and collectibles.
- 30 Please give the name, address (including zip code) and account numbers of all loans and credit cards, including the number of payments remaining and the monthly payment amounts.
- 31 List any alimony or child support payments that you make. Please provide a copy of your divorce decree.
- 32 Please list job-related expenses.

V. MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION

18	Gross Monthly Income	Borrower	Co-Borrower	Total	Combined Monthly Housing Expense	Present	Proposed
	Base Empl. Income*	\$	\$	\$	Rent	\$	
	Overtime				First Mortgage (P&I)		\$
	Bonuses				Other Financing (P&I)		
	Commissions				Hazard Insurance		
	Dividends/Interest				Real Estate Taxes		
	Net Rental Income				Mortgage Insurance		
	Other (before completing, see the notice in "describe other income," below)				Homeowner Assn. Dues		
					Other:		
	Total	\$	\$	\$	Total	\$	\$

* Self Employed Borrower(s) may be required to provide additional documentation such as tax returns and financial statements.

Describe Other Income *Notice: Alimony, child support, or separate maintenance income need not be revealed if the Borrower (B) or Co-Borrower (C) does not choose to have it considered for repaying this loan.*

20	B/C	Monthly Amount
		\$

VI. ASSETS AND LIABILITIES

This Statement and any applicable supporting schedules may be completed jointly by both married and unmarried Co-Borrowers if their assets and liabilities are sufficiently joined so that the Statement can be meaningfully and fairly presented on a combined basis; otherwise, separate Statements and Schedules are required. If the Co-Borrower section was completed about a spouse, this Statement and supporting schedules must be completed about that spouse also.

Completed Jointly Not Jointly

ASSETS		Cash or Market Value	LIABILITIES	Monthly Payment & Months Left to Pay	Unpaid Balance
Description			Liabilities and Pledged Assets. List the creditor's name, address and account number for all outstanding debts, including automobile loans, revolving charge accounts, real estate loans, alimony, child support, stock pledges, etc. Use continuation sheet, if necessary. Indicate by (*) those liabilities which will be satisfied upon sale of real estate owned or upon refinancing of the subject property.		
21 Cash deposit toward purchase held by:		\$			
22 <i>List checking and savings accounts below</i>			Name and address of Company	\$ Payment/Months	\$
Name and address of Bank, S&L, or Credit Union			Acct. no.		
Acct. no.		\$	Name and address of Company	\$ Payment/Months	\$
Name and address of Bank, S&L, or Credit Union			Acct. no.		
Acct. no.		\$	Name and address of Company	\$ Payment/Months	\$
Name and address of Bank, S&L, or Credit Union			Acct. no.		
Acct. no.		\$	Name and address of Company	\$ Payment/Months	\$
Name and address of Bank, S&L, or Credit Union			Acct. no.		
Acct. no.		\$	Name and address of Company	\$ Payment/Months	\$
23 Stocks & Bonds (Company name/number & description)		\$	Acct. no.		
Life insurance net cash value		\$	Name and address of Company	\$ Payment/Months	\$
24 Face amount: \$			Acct. no.		
Subtotal Liquid Assets		\$	Name and address of Company	\$ Payment/Months	\$
25 Real estate owned (enter market value from schedule of real estate owned)		\$	Acct. no.		
26 Vested interest in retirement fund		\$	Name and address of Company	\$ Payment/Months	\$
27 Net worth of business(es) owned (attach financial statement)		\$		31	
28 Automobiles owned (make and year)		\$	Acct. no.		
Other Assets (itemize)		\$	Alimony/Child Support/Separate Maintenance Payments Owed to:	\$	
			Job-Related Expense (child care, union dues, etc.)	\$	
				32	
			Total Monthly Payments	\$	
Total Assets a.		\$	Net Worth (a minus b)	\$	Total Liabilities b.

- 22
- 33 List all real estate you currently own, including your current residence, if applicable.
 - 34 If you have limited previous credit history, please list any past credit experience (i.e., a car loan that you have paid off).
 - 35 Please check the appropriate box(es). If you answer yes to any question, use the last page of the application to explain.

- 36 Please answer each question in this section.
- 37 Please sign and date.
- 38 Read this section and check the appropriate box(es). (Race — you may check one or more that apply)
- 39 If additional information is supplied, please list on the last page of the application in the open space provided.

VI. ASSETS AND LIABILITIES (cont.)

Schedule of Real Estate Owned (If additional properties are owned, use continuation sheet.)

Table with columns: Property Address, Type of Property, Present Market Value, Amount of Mortgages & Liens, Gross Rental Income, Mortgage Payments, Insurance, Maintenance, Taxes & Misc., Net Rental Income.

33

List any additional names under which credit has previously been received and indicate appropriate creditor name(s) and account number(s):

34

Table with columns: Alternate Name, Creditor Name, Account Number.

VII. DETAILS OF TRANSACTION

VIII. DECLARATIONS

Form with multiple sections for transaction details and declarations, including purchase price, refinancing, and various yes/no questions.

35

36

IX. ACKNOWLEDGMENT AND AGREEMENT

Each of the undersigned specifically represents to Lender and to Lender's actual or potential agents, brokers, processors, attorneys, insurers, servicers, successors and assigns and agrees and acknowledges that: (1) the information provided in this application is true and correct as of the date set forth opposite my signature and that any intentional or negligent misrepresentation of this information contained in this application may result in civil liability, including monetary damages, to any person who may suffer any loss due to reliance upon any misrepresentation that I have made on this application, and/or in criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Sec. 1001, et seq.; (2) the loan requested pursuant to this application (the "Loan") will be secured by a mortgage or deed of trust on the property described herein; (3) the property will not be used for any illegal or prohibited purpose or use; (4) all statements made in this application are made for the purpose of obtaining a residential mortgage loan; (5) the property will be occupied as indicated herein; (6) any owner or servicer of the Loan may verify or reverify any information contained in the application from any source named in this application, and Lender, its successors or assigns may retain the original and/or an electronic record of this application, even if the Loan is not approved; (7) the Lender and its agents, brokers, insurers, servicers, successors and assigns may continuously rely on the information contained in the application, and I am obligated to amend and/or supplement the information provided in this application if any of the material facts that I have represented herein should change prior to closing of the Loan; (8) in the event that my payments on the Loan become delinquent, the owner or servicer of the Loan may, in addition to any other rights and remedies that it may have relating to such delinquency, report my name and account information to one or more consumer credit reporting agencies; (9) ownership of the Loan and/or administration of the Loan account may be transferred with such notice as may be required by law; (10) neither Lender nor its agents, brokers, insurers, servicers, successors or assigns has made any representation or warranty, express or implied, to me regarding the property or the condition or value of the property; and (11) my transmission of this application as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or my facsimile transmission of this application containing a facsimile of my signature, shall be as effective, enforceable and valid as if a paper version of this application were delivered containing my original written signature.

37

Signature lines for Borrower and Co-Borrower with X marks.

X. INFORMATION FOR GOVERNMENT MONITORING PURPOSES

The following information is requested by the Federal Government for certain types of loans related to a dwelling in order to monitor the lender's compliance with equal credit opportunity, fair housing and home mortgage disclosure laws. You are not required to furnish this information, but are encouraged to do so. The law provides that a lender may discriminate neither on the basis of this information, nor on whether you choose to furnish it. If you furnish the information, please provide both ethnicity and race. For race, you may check more than one designation. If you do not furnish ethnicity, race, or sex, under Federal regulations, this lender is required to note the information on the basis of visual observation or surname. If you do not wish to furnish the information, please check the box below. (Lender must review the above material to assure that the disclosures satisfy all requirements to which the lender is subject under applicable state law for the particular type of loan applied for.)

38

Form for government monitoring purposes including ethnicity, race, sex, and interviewer information.

Continuation Sheet/Residential Loan Application

Use this continuation sheet if you need more space to complete the Residential Loan Application. Mark **B** for Borrower or **C** for Co-Borrower.

Borrower:	Agency Case Number:
Co-Borrower:	Lender Case Number:

39

I/We fully understand that it is a Federal crime punishable by fine or imprisonment, or both, to knowingly make any false statements concerning any of the above facts as applicable under the provisions of Title 18, United States Code, Section 1001, et seq.

Borrower's Signature	Date	Co-Borrower's Signature	Date
X		X	

FOR INTERNAL USE ONLY

Identification Documentation

Borrower's Current Government-Issued Photo Identification	Issuing Agency	Expiration Date
---	----------------	-----------------

Co-Borrower's Current Government-Issued Photo Identification	Issuing Agency	Expiration Date
--	----------------	-----------------

Consumer Protection

UNDER THE LAW, YOU HAVE A RIGHT TO KNOW the full costs of your mortgage loan. This section explains the kind of information your lender will give you before you close on your house.

Terms to Remember

- Annual Percentage Rate (APR)
- Truth-in-Lending Act
- Good Faith Estimate
- Real Estate Settlement Procedures Act (RESPA)

Questions and Answers

What information should I receive from my lender?

The Annual Percentage Rate (APR) that you will pay on the loan.

The APR shows the cost of your mortgage loan as a yearly rate. This rate is usually higher than the rate stated in your mortgage or deed of trust note because the APR includes up-front fees (such as points) as well as interest. The APR is intended to show you the true cost of your loan. When comparing one loan to another, be sure to compare APRs to get a true picture of what each one will cost you.

Your lender will provide you with a Truth-in-Lending statement that shows these items in addition to the APR:

- The finance charge;
- Schedule of payments; and
- Late payment charges.

This information is required by the Truth-in-Lending Act.

The Department of Housing and Urban Development publishes a brochure called “A HUD Guide for Home Buyers — Settlement Costs.” When you apply for a mortgage loan, your lender will give you a copy. If you haven’t yet applied for a loan, you may request the brochure from HUD or any mortgage lender.

A Good Faith Estimate of the settlement (or closing) costs of your loan.

This is the lender’s best estimate of the closing costs, based on the information available to the lender when you apply for the loan. If any of the costs are uncertain at that time, the lender will indicate which ones are estimates. The settlement form lists all the services provided and fees charged in connection with your loan. This information is required to be provided by the Real Estate Settlement Procedures Act of 1974 (RESPA).

Credit Tips

- Avoid making large credit purchases before you buy a house, since the added debt may affect your mortgage qualifications.
- Know how much you owe on all of your accounts.
- Avoid skipping bills to make other payments. Although skipping a payment may bring immediate relief, it is only a temporary solution to a long-term problem.
- Contact creditors immediately if you have a problem.
- Save money on a regular basis so that you have funds to fall back on in case of a financial emergency.

Your Employment History

A history of steady employment in an occupation is very helpful. Mortgage lenders are more likely to lend money to people who have worked continuously for several years. However, if you qualify for a loan in every other way, consult with your lender. A short employment history on your current job wouldn't necessarily prevent you from getting the loan.

The lender will verify your employment, usually by asking your employer to sign a statement that shows how long you have been on the job and how much money you earn. If you are self-employed or if you have been employed less than two years, the lender may ask for additional information concerning your income and work history.

Questions to Consider

- Have you been steadily employed for at least two years?
- Is your co-applicant employed?
- If either you or your co-applicant lost your job, how long would you be able to make your mortgage payments?

These are the kinds of questions a lender considers when reviewing your loan application. A steady job will help make your loan application stronger.

Correcting Credit Problems

What if your credit report includes little or no information?

Use your payment history on rent and utilities. If you have never taken out a loan, you can establish credit by showing you paid your rent and utility bills on

time. You can ask your landlord and utility companies to provide written statements of your payment history. This information will become part of your application for a mortgage loan.

What if you have a credit problem because of an unusual situation?

Write a letter of explanation. Your lender may be able to overlook a credit problem if you can give a good reason for missing a payment. If you normally pay your bills on time but failed because of an unusual or temporary situation, write a letter that explains in detail why your payment was late. This letter will become part of your loan application.

What if you're constantly struggling to pay your bills?

Seek professional help. Consumer Credit Counseling Services, a nationwide, non-profit group, provides excellent credit counseling free or for a reasonable fee. To locate the CCCS office nearest you, look in the white pages of your telephone directory or call toll-free 1-800-388-2227. Similar services are often provided by state or county organizations. These organizations can help you develop a solid plan for regaining control of your finances.

It is also important to let your creditors know if you're having problems making payments. In many cases, creditors will try to help you think of ways to relieve your situation. Remember: creditors don't want to lose money, and they want to help you pay them back. For example, some bank credit card companies will reduce your monthly payment and give you more time to pay if they know you're having problems meeting your current payments.

The Credit Report

THE FOLLOWING SAMPLE CREDIT REPORT is provided to help you understand the type of information credit bureaus typically report. The numbered boxes correspond to the explanations for each item on the following pages.

- 1 Date used to calculate the length of time the consumer has been in the credit bureau's files.
- 2 The date and time the report was requested.
- 3 Consumer's last, first and middle name or initial; also alias if any.
- 4 Consumer's Social Security Number (SSN).
- 5 Consumer's date of birth.
- 6 Consumer's complete current, previous and second previous addresses. The dates reported for the current and first previous addresses also appear here.
- 7 Consumer's home phone number.
- 8 Name and address of consumer's current employer.
- 9 This section reflects the following items:
 - *The consumer's position*
 - *Income: yearly (Y), monthly (M), weekly (W), semi-monthly (S), daily (D), hourly (H)*
- 10 Employment date: date hired (H), date terminated (T), date reported (R), or date verified (V).
- 11 Date reported shows date employment was either reported (R) or verified (V).
- 12 Consumer's previous employer and address.
- 13 This section provides a credit summary, including collections and inquiries made into a consumer's credit file.
- 14 Public record information also is listed on the credit file (if applicable). Public record information is maintained on a consumer's file in compliance with the Fair Credit Reporting Act (FCRA).
- 15 Collection accounts are posted, if applicable.
- 16 Abbreviated name and credit grantor with whom the consumer has an account.
- 17 Date account was opened.
- 18 The high credit on the account. The highest amount ever owed (K = thousands, M = millions).
- 19 Date verified.
- 20 Outstanding balance as of date verified or closed (K = thousands, M = millions).
- 21 Amount past due as of date verified or closed (K = thousands, M = millions).

- 22 Payment pattern reveals the actual manner of payment ratings for a maximum of 24 months. It reads from left to right, with the most recent verified entry on the left of the first line. The pattern then works its way back in time. There are six different characters that may appear in the payment pattern. These are manner of payment (MOP) codes 1 through 5 and X (see next page). The X is inserted by the credit bureau if the following conditions occur:
- Information was not received from the credit grantor for that month.
 - There is a dispute by the consumer regarding an account. In this case, an X is placed in the left-hand (most recent) position and the three next most recent values are changed to an X. This is done to ensure full compliance with the Fair Credit Billing Act (FCBA).
 - Any MOP other than 1 through 5 was received; for example, OO, UR or UC.
- 23 Type of account and current manner of payment indicator. In this example, 103 indicates an installment loan (type of account), which is more than three payments past due or pays in 60 days or more.
- 24 The consumer's account number for a particular credit grantor.
- 25 Maximum delinquency consists of three columns: the date the maximum state of delinquency occurred on a particular account, the dollar amount involved, and the rating at the time of delinquency (K = thousands, M = millions).
- 26 Responsibility for repaying the debt, i.e. individual account, joint account, authorized user account, etc. (See ECOA Designator Codes.)
- 27 The collateral for an installment loan.
- 28 The remarks column is used if the account is in some type of dispute or requires an explanation of the credit condition of the account.
- 29 Purpose of installment loan: automobile, boat, personal, etc.
- 30 The Historical Status field displays in four columns. The first column displays the number of months the credit grantor is reviewing the account. The second, third and fourth columns show the number of times the consumer has been over 30, 60 or 90 days late respectively (see page 32).
- 31 This position shows the inquiries made on a consumer's credit file. The inquiry field shows the date of the inquiry, the ECOA designator, credit bureau subscriber inquiry code, and subscriber short name. The loan type and loan amount (if applicable) are given after the short name (K = thousands, M = millions).
- 32 Miscellaneous information or a consumer statement may appear here.
- 33 Shows the end of the last page of the credit report.
- 34 "Report Serviced By" identifies the bureau owning or servicing the credit report. This information directs consumers to the proper location and phone number for consumer questions.

Sample Credit Report

For (C) QSL0022059		Market Sub *6 CH	In File Since 10/76 1	Date 4/3/93	Time of Issue 15:58 CT 2																																																							
Report On Smith, John 3 - Smith, Jack		SSN 333-22-4444# 4	Birth Date 10/50 5	Telephone 555-1234 7																																																								
Current Address 123 W. Main Street, Chicago, IL 60601 6		Date Reported 2/92 R	Spouse's Name/SSN																																																									
Former Address 555 N. South Ave., #1A, Chicago, IL 60610 987 S. Lake, Chicago, IL 60698		Date Reported 4/88 R																																																										
Current Employer and Address ACME Manufacturing 8 321 S. Business Drive, Chicago, IL		Position/Income Foreman 9 879 W	Empl. Date 5/84 H 10	Date Reported 4/92 V 11																																																								
Former Employer and Address ABC Manufacturing Co. 12 2224 N. Main Street, Chicago, IL		Foreman 37500 Y	1/76 H	4/92 V																																																								
Spouse's Employer and Address																																																												
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="5"></td> <td colspan="2">Present Status</td> <td colspan="2">Payment Pattern</td> <td colspan="1"></td> </tr> <tr> <td colspan="2">Subscriber Name</td> <td colspan="1">Subscriber Code</td> <td colspan="1">Date Opened</td> <td colspan="1">High Credit</td> <td colspan="1">Date Verified</td> <td colspan="1">Balance Owing</td> <td colspan="1">Amount Past Due</td> <td colspan="2">1-12 Months</td> <td colspan="1">Type Account & MOP</td> </tr> <tr> <td colspan="2">Account Number</td> <td colspan="1">Terms</td> <td colspan="1">Credit Limit</td> <td colspan="1">Date Closed</td> <td colspan="2">Maximum Delinquency Date Amount MOP</td> <td colspan="2">13-34 Months</td> <td colspan="2"></td> </tr> <tr> <td colspan="1">ECOA</td> <td colspan="3">Collateral</td> <td colspan="1">Remarks</td> <td colspan="2">Type Loan</td> <td colspan="4">Historical Status</td> </tr> <tr> <td colspan="1"></td> <td colspan="1"></td> <td colspan="1"></td> <td colspan="1"></td> <td colspan="1"></td> <td colspan="1"></td> <td colspan="1"></td> <td colspan="1"></td> <td colspan="1">No. of Months</td> <td colspan="1">30-59</td> <td colspan="1">60-89</td> <td colspan="1">90+</td> </tr> </table>											Present Status		Payment Pattern			Subscriber Name		Subscriber Code	Date Opened	High Credit	Date Verified	Balance Owing	Amount Past Due	1-12 Months		Type Account & MOP	Account Number		Terms	Credit Limit	Date Closed	Maximum Delinquency Date Amount MOP		13-34 Months				ECOA	Collateral			Remarks	Type Loan		Historical Status												No. of Months	30-59	60-89	90+
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ECOA	Collateral			Remarks	Type Loan		Historical Status																																																					
								No. of Months	30-59	60-89	90+																																																	
13 TRD=1 NEG=1 PUB=1 COL=1 INQS=1 BAL=\$10.4K HC-CL=\$14.5K-0 14 PUBLIC RECORD SOURCE COURT DATE LIAB TYPE ASSETS PAID DOCKET NUM. PLAINTIFF/ATTORNEY Z5027019 12/92R \$60 PC C 4/93 92M3939494 PPLS FIN/J WILLIAMS PAID CIVIL JUDGEMENT 15 COLLECTION AGENCY AMOUNT STATUS RPTD PAID CREDITOR Y7321001 4100 C UP 1/91R AT&T CUR BAL 450 TRADES 16 AMERICAN BK B6661001 17 4/91 18 \$14.5K 19 1/93A 20 \$10.4K 21 \$729 22 32111111111X 23 IO3 24 1035 49M394 25 1/93 \$729 03 X111111 26 I 27 90 NISSAN MAXIMA 28 *CONTACT SUBSCRIBER 29 AUTOMOBILE 30 22 1 1 0 31 INQR 1 DATE ECOA SUBCODE SUBNAME TYPE AMT 4.3/92 C QSL0022059(ILM) CITICORP AU 9700 32 CONSUMER STATEMENT: PAYMENTS MADE TO AMERICAN BK WERE NOT ACCOUNTED FOR 33 **END OF CREDIT REPORT** 34 REPORT SERVICED BY: XYZ CREDIT BUREAU P.O. BOX 1 ANYTOWN, USA (800) 555-6789																																																												

Type of Account Codes

Open account (30, 60 or 90 days)O
 Revolving or optionR
 InstallmentI
 Mortgage.....M
 Check credit (line of credit).....C

Current Manner of Payment (MOP) Codes

Not rated, too new to rate, or approved but
 not used.....00
 Pays (or paid) within 30 days of payment due date,
 or not over one payment past due.....01
 Pays (or paid) in more than 30 days from the
 payment due date but not more than 60 days,
 or not more than two payments past due02
 Pays (or paid) in more than 60 days from the
 payment due date but not more than 90 days,
 or three payments past due.....03
 Pays (or paid) in more than 90 days from the
 payment due date but not more than 120 days,
 or four payments past due.....04
 Pays (or paid) in 120 days or more than four
 payments past due.....05
 Making regular payments under wage earned plan
 or similar arrangement07

Repossession08
 Voluntary repossession8A
 Legal repossession8D
 Payment of repossession account8P
 Repossession redeemed8R
 Bad debt; charge-off account09
 Collection account9B
 Payment to a charged-off account.....9P
 UnratedUR
 UnclassifiedUC

ECOA Designator Codes

Authorized user of shared account.....A
 Joint contractual liability.....C
 Individual account for sole use of applicant.....I
 Co-signer primarily liable for account.....M
 Participant in shared account which cannot be
 distinguished.....P
 Co-signer, no spousal relationship.....S
 Relationship with account terminatedT
 UndesignatedU

Sample Delinquency Process

1-30 Days Late

- A reminder letter is sent stating that the payment was missed.
- A second reminder letter may be sent later in the month.
- A telephone call is made to determine whether the payment was sent and why it is late.

30-60 Days Late

- The customer is reported as delinquent to the credit bureau.
- A letter is sent to the customer indicating the potential seriousness of the situation.
- A telephone call is made by a representative to either arrange for the full amount due or to make a formal repayment plan.

60-90 Days Late

- Continuing delinquency is reported to the credit bureau.
- A formal demand letter is sent advising the customer that he or she has 30 days within which to bring the account current, make suitable arrangements, or face potential foreclosure.
- Telephone contact is again made to either obtain the full amount due or to try to make arrangements for repayment.

90+ Days Late

- If the demand letter expires and the payments have not been made or satisfactory payment arrangements were not set up, then a pre-foreclosure letter demanding payment will be sent.
- Foreclosure activities would now proceed according to state and legal requirements.

Glossary of Terms

Agreement for Sale

A document in which the purchaser agrees to buy certain real estate (or personal property) and the seller agrees to sell under stated terms and conditions. Also called sales contract, binder, or earnest money contract.

Amortization

Gradual debt reduction. Normally, the reduction is made according to a pre-determined schedule for installment payments.

Annual Percentage Rate

A term used in the Truth-in-Lending Act to represent the full cost of a loan, including interest and loan fees.

Appraisal

A formal, written estimation of the current market value of a home.

Appreciation

An increase in value, the opposite of depreciation.

Borrower

A mortgagor who receives funds in the form of a loan with the obligation of repaying the loan in full with interest.

Broker (Real Estate)

One who receives a commission or fee for bringing buyer and seller together and assisting in the negotiation of contracts between them. In most states a license is required.

Building Code

The local regulations that control design, construction, and materials used in construction. Building codes are based on safety and health standards.

Closing

The conclusion of a transaction. In real estate, closing includes the delivery of a deed, financial adjustments, the signing of notes, and the disbursement of funds necessary to the sale or loan transaction.

Closing Agent/Attorney

A closing agent or attorney assures that all documentation related to the sale of a house has been completed properly, including the title search and title insurance. The closing agent explains all closing documents to the buyer and the seller, obtains their signatures where necessary, and records the documents.

Closing Costs

All of the costs to the buyer and seller individually that are associated with the purchase, sale, or refinancing of real property. They include, but are not limited to, prorating of agreed items such as taxes and rents, the cost of title insurance policies, and the cost of credit reports, recording fees, and escrow fees.

Closing Statements

A financial disclosure giving an account of all funds received and expected at the closing, including the escrow deposits for taxes, hazard insurance, and mortgage insurance.

Collateral

Property pledged as security for a debt, such as real estate as security for a mortgage.

Commission

An agent's fee for negotiating a real estate or loan transaction, often expressed as a percentage of the sales price or mortgage amount.

Commitment

An agreement, often in writing, between a lender and a borrower to loan money at a future date subject to compliance with stated conditions.

Condominium

A form of ownership of real property. The purchaser receives title to a particular unit and a proportionate interest in certain common areas.

Contingency

A condition that must be met before a contract is binding. For example, the sale of a house might be contingent upon the seller paying for certain repairs.

Contract of Sale

A contract between a purchaser and a seller of real property to convey a title after certain conditions have been met and payments have been made.

Conventional Loan

A mortgage loan not insured by the Federal Housing Administration or guaranteed by the Veterans Administration.

Credit Report

A report to a prospective lender on the credit standing of a prospective borrower, used to help determine credit worthiness.

Debt-to-Income Ratio

Long-term debt expenses as a percentage of monthly income. Lenders use this ratio to qualify borrowers for mortgage loans, typically setting a maximum debt-to-income ratio of 36 percent.

Earnest Money

A sum of money given to bind a sale of real estate; a deposit.

Equity

The home owner's interest in a property; the difference between fair market value and the current amount the owner owes on the property.

Escrow Account

An amount set up by the lender into which the borrower makes periodic payments, usually monthly, for taxes, hazard insurance, assessments, and mortgage insurance premiums. The funds are held in trust by the lender who pays the sums as they become due.

Fair Market Value

The price at which property is transferred between a willing buyer and a willing seller, each of whom has reasonable knowledge of all pertinent facts and neither being under any compulsion to buy or sell.

Federal Housing Administration (FHA)

A division of the Department of Housing and Urban Development. Its main activity is the insuring of residential mortgage loans made by private lenders.

Federal Home Loan Mortgage Corporation (FHLMC)

A private corporation created by Congress to support the secondary mortgage market. It sells participation certificates secured by pools of conventional mortgage loans; principal and interest is guaranteed by the federal government through the FHLMC. Popularly known as Freddie Mac.

First Mortgage

A real estate loan that creates a primary claim against real property.

Federal National Mortgage Association (FNMA)

A private corporation created by Congress to support the secondary mortgage market. FNMA sells mortgage-backed securities backed by pools of conventional loans. Payment of principal and interest on these securities is backed by the federal government. Popularly known as Fannie Mae.

Flood Insurance

A policy that assists in payments for loss due to flooding.

Gross Monthly Income

The amount of consistent and stable income that an individual receives each month, averaged over a period of time. This amount includes overtime pay, bonuses, commissions and income from dividends or interest, provided that the individual can show a consistent history of receiving such income.

Hazard Insurance

A contract that pays for loss on a home from certain hazards, such as fire. (See Homeowner's Policy.)

Homeowners' Association

An organization of homeowners residing within a particular development whose major purpose is to maintain and provide community facilities and services for the common enjoyment of the residents.

Homeowner's Policy

A multiple peril insurance policy commonly called "package policy." It is available to owners of private dwellings and covers the dwelling and contents in the case of fire or wind damage, theft, liability for property damage and personal liability.

Housing Expense Ratio

A homeowner's monthly housing expense as a percentage of his or her monthly income.

Inspector

The property/mechanical inspector examines a home to evaluate its plumbing, electrical work, appliances, heating and cooling systems, roof and structural stability.

Interest

The fee charged for borrowing money.

Loan-to-Value Ratio

The relationship between the amount of a home loan and the total value of the property. For example, if you receive a loan of \$95,000 on a home that costs \$100,000, the loan-to-value ratio is 95 percent.

Lock-in Rate

A commitment from a lender to make a loan at a preset interest rate at some future date, usually for not more than 60 days. A fee may be charged to "lock in" a rate.

Market Value

The highest price that a willing buyer would pay and the lowest a willing seller would accept.

Mortgage

An interest in real property given as security for the payment of an obligation.

Mortgage Insurance

A policy that allows mortgage lenders to recover part of their financial losses if a borrower fails to fully re-pay a loan. Mortgage insurance makes it possible to buy a home with as little as 5 percent down.

Mortgage Investor

Any person or institution that invests in mortgages. By buying mortgage loans from lenders, the mortgage investor gives the lender funds that can be used for more lending.

Mortgage Life Insurance

A type of term life insurance. The amount of coverage decreases as the mortgage balance declines. In the event that the borrower dies while the policy is in force, the debt automatically is paid by insurance proceeds.

PITI

Principal, interest, taxes and insurance are the components of a mortgage payment.

Point

A dollar amount paid to a lender for making a loan. A point is one percent of the loan amount. Also called discount points.

Principal

The original balance of money loaned, excluding interest. Also, the remaining balance of a loan, excluding interest.

RESPA

Real Estate Settlement Procedures Act (RESPA) is a federal law that requires lenders to provide home mortgage borrowers with information about known or estimated settlement costs.

Servicer

After a mortgage loan closes, the loan servicer collects the payments, manages escrow accounts, pays escrowed taxes and insurance and manages delinquent payments. Lenders often "release" servicing to another business, which means that a home buyer will not necessarily send house payments to the original lender.

Settlement

The closing of a mortgage loan.

Title

The evidence of the right to or ownership in property. In the case of real estate, the documentary evidence of ownership is the title deed. Title may be acquired through purchase, inheritance, gift or through foreclosure of a mortgage.

Title Insurance

Insurance which provides for the payment of a specific amount of funds for loss caused by defects in the title to real estate.

Veterans Administration (VA)

An independent agency of the federal government created in 1930. The VA home loan guaranty program is designed to encourage lenders to offer long-term, low downpayment mortgages to eligible veterans by guaranteeing the lender against loss.

Zoning

City or county laws specifying how property may be used in specific areas.

How Much Can You Afford?

NORTHERN TRUST WANTS TO SHOW YOU how affordable owning your own home can be. Simply complete the worksheet below and contact a loan officer at Northern Trust. We will give you a free estimate of how much you can afford to pay each month and how much you'll need for your down payment and closing costs.

1. Your Monthly Income

INCLUDING CO-BORROWER/CO-APPLICANT

➤ Salary/wages/commissions/bonuses (before deductions)	\$ _____	
➤ Income from investments/dividends, interest	\$ _____	
➤ Alimony, child support, or separate maintenance payments*	\$ _____	
➤ Other income	\$ _____	
➤ Total Monthly Income (A)	\$ _____	(A)

*When you apply for a loan, this information need not be revealed if you do not wish to have it considered as a basis for repaying your loan.

2. Your Monthly Payments

➤ Car loans	\$ _____	
➤ Credit cards and charge accounts	\$ _____	
➤ Student loans	\$ _____	
➤ Alimony, child support or separate maintenance payments	\$ _____	
➤ Other debts (do not include rent, utilities or insurance)	\$ _____	
➤ Total Monthly Expenses (B)	\$ _____	(B)

3. How Much Can You Afford Each Month?

Here the "rule of thumb" consists of two calculations; the one that results in the lower dollar amount is the amount you can afford to pay each month for your mortgage, real estate taxes, and insurance.

➤ (1) Total Monthly Income (from Line A)	\$ _____	
	X .28	

	=====	
➤ (2) Total Monthly Income (from Line A)	\$ _____	
	X .36	

	=====	
Subtotal	\$ _____	
Subtract Total Monthly Expenses (from Line B)	- \$ _____	
	=====	

Your full name

Address

City

State

Zip code

() _____
Daytime telephone

() _____
Evening telephone

Daytime telephone

Evening telephone

a.m./p.m.

Best time of day to call





Northern Trust

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