

# Path to Homeownership



 **REGIONS**  
MORTGAGE



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## Path to Home Ownership

### Deciding to Buy a Home

For many people, owning their own home is their dream. If homeownership is your dream too, it can become a reality; with goals, sound advice and careful planning. The more you know about homeownership, the better equipped you will be to reach your goals. This guide will assist you on the path to homeownership by answering the questions most commonly asked by future homeowners.

#### Ask Yourself a Couple of Questions Before Considering Homeownership.

- Have I taken the time to consider what I find so appealing about owning my own home?
- Am I ready to take on the increased investment in time, resources and money?

#### Advantages of Homeownership

- Enjoy the pride of owning your own home.
- Scheduled savings - Monthly payments build “equity” in the property.
- Appreciation of the property - Houses typically increase in value.
- Tax considerations - Interest paid on a mortgage is usually tax deductible.

#### Possible Disadvantages of Homeownership

- Increased costs come along with owning a home such as taxes, insurance, and miscellaneous expenses.
- A homeowner is not able to move as quickly as a renter.
- Repairs and maintenance require an additional outlay of time and money.

#### Is Homeownership in Your Near Future?

To determine if you are ready to buy a home, take a moment to answer the following questions:

- Do you have a steady income and stable employment?
- Have you created a budget to determine how much additional housing expense you can realistically afford?
- Do you have an established credit record or can you establish a nontraditional credit file to document your payment history? Is your credit report favorable?
- Have you saved enough for a down payment and closing costs? If not, can you ask for assistance from relatives or government/nonprofit agencies?
- Have you met with a Regions Mortgage Loan Originator and discussed the different loan products that are available?
- Have you recently attended a homebuyer education seminar?

If you can answer yes to all of the above questions, you may very well be on your way to owning your own home!

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## Path to Homeownership

### Preparing to Buy a Home

#### Can You Afford to Buy a House?

After you have carefully considered all the advantages and disadvantages of owning a home, and feel certain that this is the right thing for you, make sure that owning a home is something you can currently afford to do.

#### Analyze your current expenses.

- Add the total cost of homeownership, which includes your monthly mortgage payment with Principle, Interest, Taxes, Homeowners Insurance (PITI), Mortgage Insurance and Flood Insurance if applicable.
- Compare the PITI to the costs you are currently paying for rent.
- Do you have any money left over at the end of each pay period?
- Are you willing to make the necessary adjustments to your current spending habits?

#### How Much Home Can You Afford?

The general rule is that you can afford a house that costs up to two and one half times your annual gross income before taxes are deducted. A co-borrower's income may also be included in the calculation.

For example:

- If you and your co-borrower have a combined income of \$40,000, you should consider purchasing a home priced no more than \$100,000.
- If your combined income is \$25,000 your price range should be no more than \$62,500.

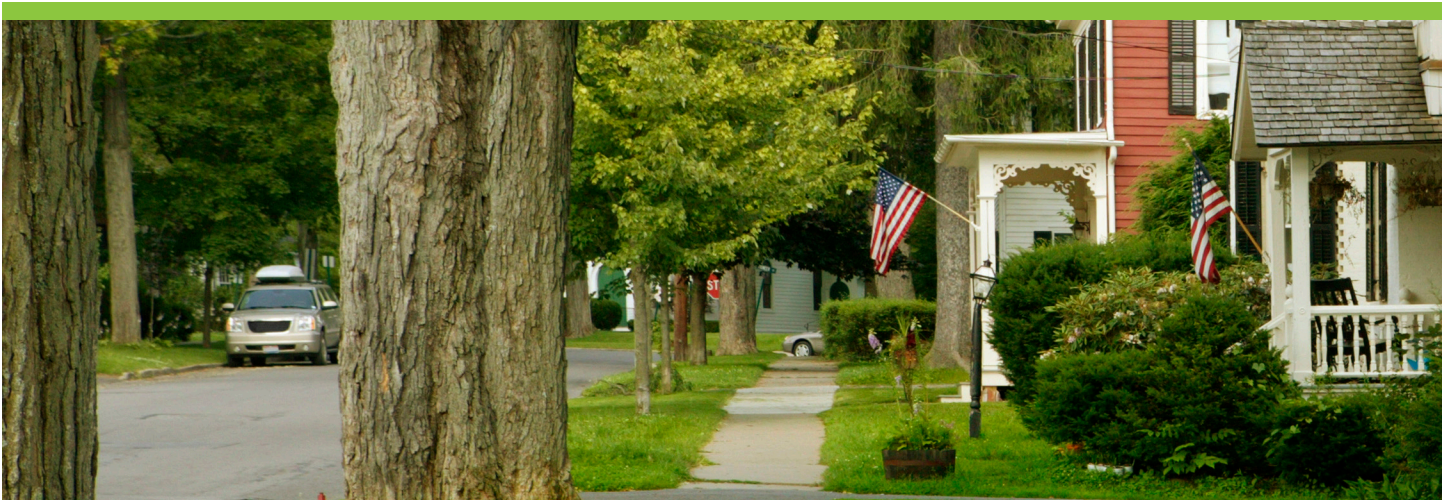
#### Tools to Help Prepare

Using the calculation above provides you with a quick and easy way to figure out how much home you can afford. There are also many mortgage calculators that you may find helpful. If you have access to the internet, go to [www.regionsmortgage.com](http://www.regionsmortgage.com) where you can find calculators under "Mortgage Tools", or use Worksheet #1 (Calculating Your Maximum Mortgage) located in the Path to Homeownership Workbook. Below are some examples of some of the calculators you can find on the Regions Mortgage website.

- How much will my mortgage payment be?
- How much can I borrow?
- How much home can I afford?
- Should I pay points to lower the rate?
- Am I better off renting?

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## Path to Homeownership

### Pre-Approval by Regions Mortgage

It is well worth the time and effort to obtain a credit pre-approval by a Regions Mortgage Loan Originator. It is quite easy to do the calculations yourself with any of the Regions web based calculators available; however, you can obtain detailed information concerning the type of mortgage loan that will best meet your needs from a Regions Mortgage Loan Originator.

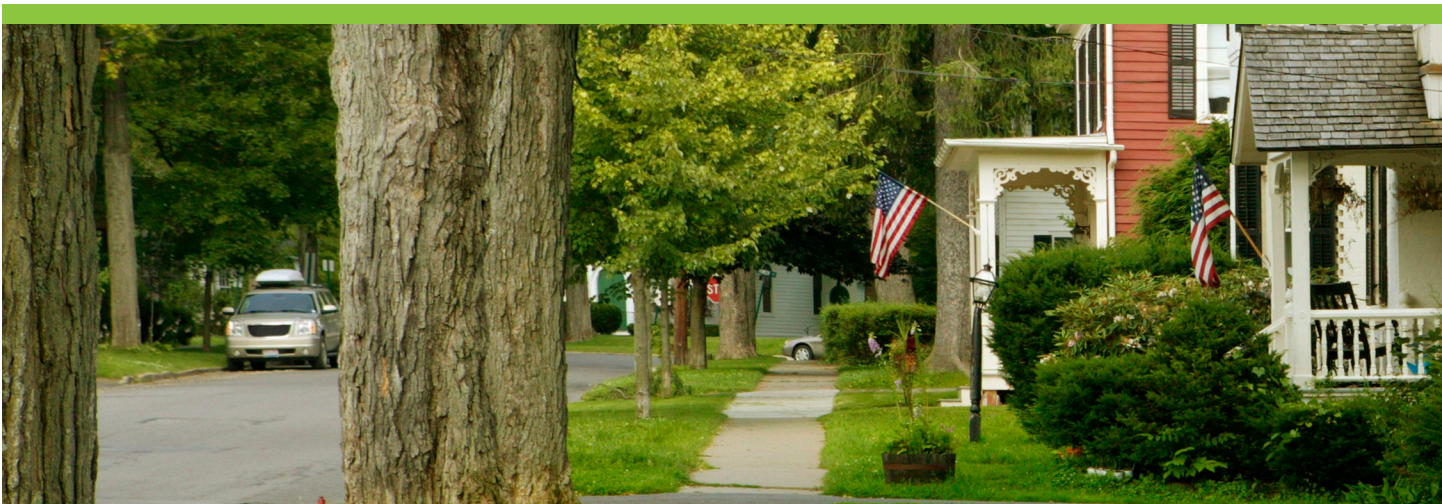
#### Mortgage Application Checklist

The following items are some of the required documents needed to provide your Regions Mortgage Loan Originator to be considered for credit pre-approval.

- Copy of valid driver's license or other valid source of identification
- Two year history of residence for all borrowers
- Name, address and telephone number of all landlords for the past two years
- Employer's name and address for last two years
- Salaried Employees: Most recent two years' W-2 forms and paystubs for the most recent 30 day period
- Commissioned Employees: Most recent two years' 1040 tax returns (including supporting schedules) and YTD income statement
- Self-Employed: Last two years' signed personal and/or corporate tax returns (with supporting schedules) and current profit and loss statement and balance sheet
- Pension and/or Social Security Awards Letter (if retired or receiving other non-earned income)
- Two most recent bank statements (i.e. checking, savings)

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## Path to Homeownership

### Down Payment and Closing Costs

When it comes to purchasing a home, the amount of home you can afford may be limited by the amount of the down payment and the closing costs required. The down payment is a percentage of your home's value. The type of mortgage you choose determines the down payment you will need at closing. The minimum amount can range from 3.5% - 20%.

A number of loans are available that do not require high down payments, especially if you are a first time homebuyer. For example, FHA loans may require 3.5% down, and VA loans may require no down payment. In addition to down payment assistance, these programs may have guidelines that better fit your situation for loan approval, such as allowing a higher debt to income ratio.

The amount of your down payment will impact the amount of the loan you need. See example below:

\$100,000	Purchase price
<u>-5,000</u>	5% down payment
\$95,000	Mortgage amount

Closing costs can vary from state to state and may include items such as taxes, recording fees, loan discount points and closing agent fees. After you have completed a mortgage loan application, Regions Mortgage will provide you with an estimate of closing costs called a "Good Faith Estimate" (GFE). Usually closing costs are a percentage of the loan amount and typically run between 3% and 6% of the mortgage amount.

#### Planning for Down Payment and Closing Costs

- Establish a consistent savings plan.
- Be creative! Your tax refund, security deposit, and many other sources may be used as a source of down payment.
- Tax credits and local housing down payment assistance programs may be available.

See Worksheet #2 (Your Available Cash and Assets for Down Payment) located in the Path to Homeownership Workbook to help you determine how much you can contribute towards a down payment and closing costs.

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# Path to Homeownership

## Borrowing Power

Another important factor in determining how much home you can afford is the amount Regions Mortgage can agree to lend to you. There are two major factors to consider when applying for a mortgage:

- Your income
- Your debt

**Qualifying Guidelines** (See Worksheet #3 (Gross Income Calculation) and #4 (Your Monthly Debt Payments) located in the Path to Homeownership Workbook)

- Monthly housing costs (including mortgage payments, property taxes, insurance and condominium fee) should total no more than 28 to 33 percent of your monthly gross income.
- Monthly housing costs plus other long-term debts should total no more than 36 to 38 percent of your monthly gross income. If your monthly debt payments are considered excessive, they will reduce the loan amount you will qualify for.

## Credit Counseling

Consumer Credit Counselors assist and educate individuals on money management, budget balancing and provide credit counseling. Working with a non profit organization will assist you along the path to homeownership. Generally, most programs offered through non profits are free.

There are organizations to assist you with a debt reduction plan:

- [www.cccservices.com/](http://www.cccservices.com/)
- [www.nfcc.org/](http://www.nfcc.org/)

Contact your Regions Mortgage Loan Originator for a referral of a credit counselor in your area.

Local Non Profit Counseling Services \_\_\_\_\_

Name of Organization \_\_\_\_\_

Contact Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Phone Number \_\_\_\_\_ Email Address \_\_\_\_\_

## Steps for Debt Management

Complete the following steps, if applicable, while working on a debt management plan.

- Pay all current bills on time each month with a check or money order.
- Pay past due collections, judgments, and charge offs as agreed.
- If you make a payment plan on the larger collections, stick to that plan for at least 9 months.
- Get all payment arrangements in writing.
- Get paid-in-full letters for all debts that are paid off.
- Obtain a release and satisfaction of payment for all judgments or collections that are paid in full.

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## Path to Homeownership

### Credit Report

#### Credit Report Review

A review of your credit report before you apply for a mortgage allows you time to correct any incorrect information included on your file.

It is imperative that you keep updated records pertaining to the information placed on your official credit record. Your credit report includes:

- Timeliness of paying your debts
- Total amount of debt
- The total amount of credit that is available
- Amount of time credit has been in use
- Collections, judgments, bankruptcies
- Pursuit of new credit
- Recent inquiries
- Types of credit available
- Credit score

All unresolved disputes with creditors should include a copy of your explanation of the dispute in the file.

#### Credit Scoring

Credit Scoring is a statistical method used to determine whether or not an individual will repay a mortgage loan. It is important that you obtain a copy of your credit report before applying for a mortgage loan. You can request a copy of your credit report from a credit reporting agency. In many states, consumers are entitled to one free credit report every year. See below for three methods of obtaining your credit report:

Online

[www.annualcreditreport.com](http://www.annualcreditreport.com)

Phone:

1-877-322-8228

Mail:

Download the request form - [www.annualcreditreport.com/cra/requestformfinal.pdf](http://www.annualcreditreport.com/cra/requestformfinal.pdf)

Print and complete the form, then mail to:

Annual Credit Report Request Service

P.O. Box 105281

Atlanta, GA 30348-5281

#### Establishing a Credit Record

If you do not have a traditional credit report before applying for a mortgage loan, it is important that you establish a credit record. You can establish a nontraditional credit record by showing a history of timely payments such as rent, payments to your utility companies, insurance companies, etc.

Regions Mortgage will require the following information:

- Verification of Rent from your landlord stating that you've paid your rent on time each month for the time you've been renting
- Statements from other creditors indicating that you have paid your accounts on time each month for at least the last 12 months

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# Path to Homeownership

## Credit Report (continued)

The other creditors can be any of the following:

- Telephone company
- Cable company
- Insurance company (life, health, auto)
- Cellular phone company
- Furniture company
- Gas company
- Electric company
- Credit Union loan
- Daycare provider
- School tuition

If you cannot obtain verification, a 12-month account history is acceptable. Some companies will not send a letter, but will send a history of your account.

Letters and pay history statements must include:

- Name of business
- Contact name
- Address
- Phone number
- Payment history
- Name of payer on bill

### Repairing Your Credit Record

If you are currently experiencing financial difficulties, you may want to wait to apply for a mortgage until you get all your financial issues resolved. Again, it is a good idea to visit a credit counselor if you are struggling with your bills. They can assist you with developing a plan to pay your outstanding debt.

Tips for Maintaining Good Credit:

- Pay all current bills on time each month.
- Consolidate all student loans for one low monthly payment by contacting the servicing company directly as indicated on your payment statement.
- Immediately contact all three credit bureaus to ensure that the accounts that were paid off or were included in bankruptcy are being reported accurately.
- Review a consumer credit report from each agency.
- Dispute any and all incorrect information as soon as possible.
- Don't give up! If you follow these steps and keep your credit in order, you can become a future homeowner!

To dispute incorrect information in your credit record, see contact information below for all 3 major credit bureaus:

Equifax  
P.O. Box 740241  
Atlanta, GA 30374  
1-800-685-1111

Experian  
P.O. Box 2002  
Allen, TX 75013  
1-888-397-3742

TransUnion  
P.O. Box 1000  
Chester, PA 19022  
1-800-888-4213

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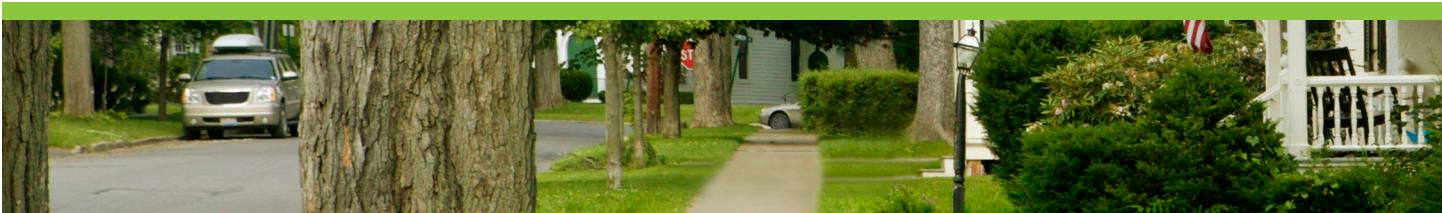
### Ways to Increase Your Borrowing Power

- Reduce your existing long-term debt.
- Do not purchase a “big ticket” item (ex. car, furniture, boat) when contemplating purchasing a home in the near future.
- Wait until your income increases to apply for a mortgage.
- Find a financing option that requires a lower down payment and/or lower monthly payments.
- Your Regions Mortgage Loan Originator can help you determine the best loan program and options available for you. Some of these programs and options are as follows:
  - Conventional Fixed or Adjustable Rate Mortgage
  - FHA, VA, USDA
  - State and local bond programs
  - Down Payment Assistance programs
  - Mortgage insurance—required on all loans where the down payment is less than 20%
- Gifts from relatives (Documentation will be required to prove that the money was actually gift and not a loan)
- Seller paid closing costs (The seller may be willing to pay all or part of your closing costs)

Complete Worksheet #5 (Home Buying Plan Chart) located in the Path to Homeownership Workbook. You and your Regions Mortgage Loan Originator can work together to determine the next steps on the path to homeownership.

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## Path to Homeownership

### Shopping for a Home

Once you have been pre-approved and have met pre-approval requirements by Regions Mortgage, you can begin shopping for a home.

#### Wish List

##### New vs. Older Home

New homes generally cost less to maintain than older homes. Older homes tend to be more spacious, different in terms of styling and constructed with more durable materials. Some homes may require more investment in terms of repairs (“fixer uppers”).

##### Location—what is most important to you?

- Location to your job, public services or daycare facilities
- Distance to neighborhood schools
- Distance to shopping, recreational activities or public transportation

##### Size requirements—important consideration is the number and size of rooms.

- Is it large enough or too large for your family size?
- Does it meet future and current housing needs?
- Is there enough space for a yard, garden or off-street parking?

#### Finding the Right House

There are a number of ways to identify houses currently on the market.

- Contact local real estate agent
- Word of mouth
- “For Sale” signs
- Newspaper ads
- Shoppers’ guides or home guides
- Internet

#### Reasons to use a Real Estate Agent

- Assists you in buying the right home - knowledgeable about the neighborhood price ranges
- Experienced at presenting your offer to the homeowner and negotiating the transaction
- Resource for community information, such as schools, shopping, transportation and other necessities
- Keeps a cool head in negotiations - is objective about the buying transaction

#### Comparison Shopping

Use Worksheets #6 (Housing Preferences) and #7 (Comparison Shopping) located in the Path to Homeownership Workbook to keep a list of all the features and prices of the homes you preview. Shop, with a prepared list of questions to ask the real estate professional as well as the owner(s) based upon your needs.

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## Path to Homeownership

### Negotiating the Offer to Buy

#### Deciding How Much to Offer

##### Market value of the house

- Obtain a “comparative market analysis” (CMA) on the property from your realtor; the written report compares prices of homes that are currently on the market, under contract and have closed recently.

##### Condition of the house

- Perform a careful inspection of the house. Question the sales agent and the owner as to the condition of the major systems and structure of the home.
- Be aware of any major problems with the house.
- Understand how much it will cost to fix any major repairs in the home.

##### What can you afford?

- Consult your Regions Mortgage Loan Originator to discuss the affordability of the upcoming offer.
- Before making an offer on a house, understand what the monthly payment (PITI) will be.
- Understand the annual cost of utilities, local taxes, homeowner’s insurance, condominium fee (if applicable), and any additional assessments.

#### Submitting the Offer

An offer is made by submitting to the owner, a “purchase and sale agreement”; a signed offer to purchase the house for a given price under specified terms.

The offer to purchase should contain all of the following key elements:

- A complete legal description of the property
- Earnest money
- Offer price
- Down payment and financing terms
- A preapproval of a mortgage loan may strengthen your contract
- A proposed closing date and occupancy date
- Length of time the offer is valid
- The satisfaction of certain specific contingencies

The seller can respond to the offer in one of three ways; accept it, reject it, or they can make a counter-offer.

#### Contingencies

##### Financing contingency

- This contingency states that the deal is off and your deposit will be refunded should you not receive the loan you need at the specified terms.

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# Path to Homeownership

## Negotiating the Offer to Buy(continued)

**Inspection contingency** - It is highly recommended that all existing homes be inspected by a professional.

- Professional home inspections - Should any major problems with the structure or any major systems of the home be uncovered during the inspection, you have the right not to proceed with the purchase or to re-negotiate the terms of the purchase.
- Termites—the seller is required to provide a written certification stating that the property is free of termites and any damage from past infestation has been repaired.

**Environmental hazards that should be investigated:**

- Radon
- Lead based paint
- Asbestos
- Formaldehyde
- Hazardous waste sites

**Appraisal contingency**

- Regions Mortgage may require an approved professional appraisal of the market value of the property.
- If the appraised value is less than the agreed upon purchase price, this contingency provides you with the right to withdraw or renegotiate your offer.

**Miscellaneous provisions**

- Repair work
- Personal property
- Closing and occupancy date
- Clear title

## Home Inspection

The purpose of the inspection is to evaluate the structural and mechanical condition of the property. The home inspection gives peace of mind about proceeding with the purchase of your new home.

**Finding a qualified inspector**

- Get referrals from previous customers.
- Look in the Yellow Pages.
- Contact the American Society of Home Inspectors.

**Every home inspection should include but is not limited to the following:**

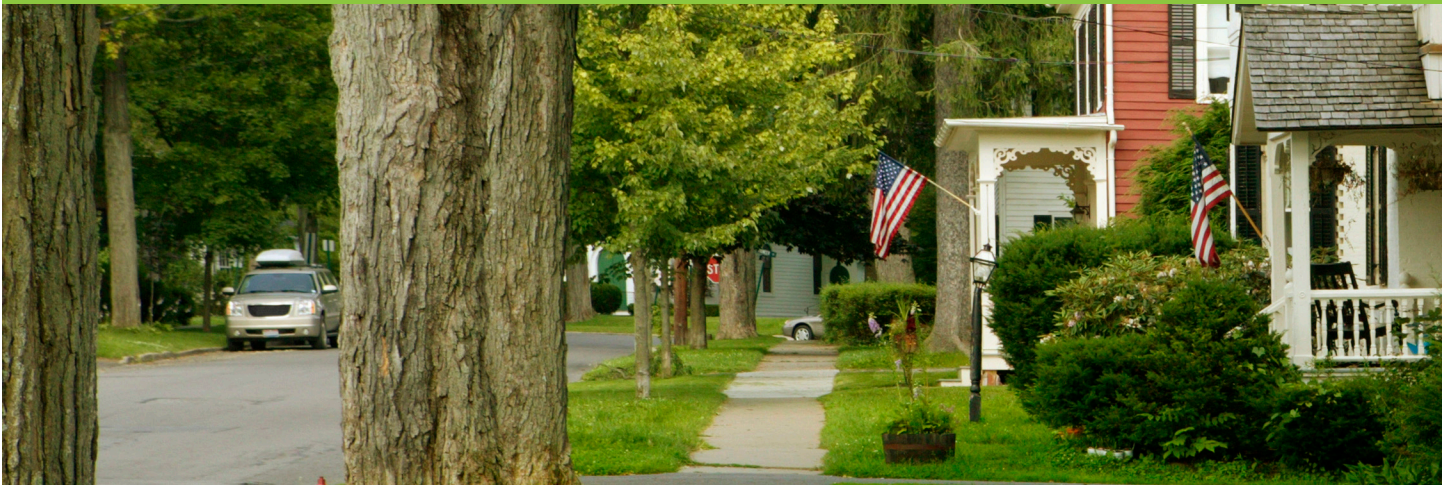
- Foundations
- Doors and windows
- Roof and siding
- Plumbing and electrical systems
- Heating and air conditioning systems
- Ceilings, walls and floors
- Insulation
- Ventilation
- Septic tanks, wells or sewer lines
- Common areas (condominiums or cooperatives)

**Using the inspection report**

- Helps identify problems before purchasing a home to prevent unexpected surprises
- Enables you to cancel a purchase agreement if any major problems are identified or negotiate an adjustment to the purchase price, if you decide to proceed with the purchase
- Requires the seller to pay for any necessary repairs either before the sale or after the sale using escrowed funds

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## Path to Homeownership

### Obtaining a Loan

Contact a [Regions Mortgage Loan Originator](#).

Now that you have a contract to purchase a new home, you need to contact your Regions Mortgage Loan Originator to begin obtaining the permanent financing for your home.

Be prepared to provide the following information if applicable.

- Sales contract for new home
- Check (payable to Regions Bank) for the appraisal fee after receipt of initial regulatory disclosures
- Copy of valid driver's license or other form of valid identification
- Two year history of residence for all borrowers
- Names, addresses and telephone numbers of landlords for the past two years
- Employer's name and address for last two years
- Salaried Employees: Most recent two years' W-2 forms
- Paystubs to cover most recent 30 day period.
- Commissioned Employees: Most recent two years' 1040 tax forms (including supporting schedules) and YTD income statement
- Self-Employed: Last two years' signed personal/corporate tax returns (with supporting schedules), current Profit and Loss Statement and balance sheet
- Pension/Social Security Awards Letter (if retired or receiving other non-earned income)
- Two most recent bank statements (i.e. checking, savings, 401K, stocks) (all pages)
- Most recent quarterly brokerage statements (all pages)
- VA Loans: Include Certificate of Eligibility, DD214, Statement of Service (active duty)
- FHA Loans: copy of social security card

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# Path to Homeownership

## Obtaining a Loan (continued)

### Our Role at Regions Mortgage

Regions Mortgage associates will be working on your behalf to ensure your home loan process runs smoothly:

#### Mortgage Loan Originator

- Assists you in completing the loan application
- Discusses qualifying, monthly payments and cash needed for closing
- Explains various loan programs available and quotes interest rates
- Communicates documentation requirements
- Answers any questions you may have throughout the process
- Attends closing whenever possible

#### Processor

- Communicates with you on items necessary for your loan closing
- Pre-underwrites and prepares loan for approval
- Works with all parties involved with the loan process

#### Underwriter

- Renders final decision on your loan
- Works directly with Regions Mortgage Loan Originator and Processor to approve your loan

#### Closer

- Sets or verifies closing date after loan has been approved
- Assembles package for your closing day
- Sends package to the closing agent's office

At Regions Mortgage, we are serious about the Mortgage business. With Regions, you can expect more. Our associates hold themselves to the core values that make our company strong, "Do the right thing, make life better, focus on your customer, reach higher and enjoy life."

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## Path to Homeownership

### Closing Day

#### Getting ready for closing

- The closing date is set after the loan has been approved and the commitment letter has been accepted.
- Select a settlement agent - The closing can be coordinated by the realtor, lending institution, title insurance company, escrow company, real estate broker, or closing attorney.
  - Securing title services - A title search is required before the closing date. Regions Mortgage requires a title search to be sure the borrower will receive a clean title and there are no “encumbrances” on the title.
  - Survey - The survey ensures that the boundaries of the property are in agreement as stated in the purchase and the sale agreement.
- Meeting conditions of the loan offer - Review the commitment letter carefully and be sure any repairs required by the seller are completed before the closing.
- The appraisal is provided to the borrower 3 days prior to closing for review by Regions Mortgage.
- Termite certificate - states that the home is free of termites' infestation.
- Homeowner's insurance provides protection in the event the home is damaged by fire or storm.
  - Regions Mortgage requires the first year to be paid at or before closing.
  - Obtain Flood Insurance if required.
- Homeowner's warranty, if applicable - A homeowner's warranty provides insurance against certain defects in the home.
- The final walk-through inspection ensures that all conditions agreed upon by the seller have been completed.

#### What to expect at closing

The closing is a formal meeting between the buyer, seller, listing/selling agents, representatives of Regions Mortgage and the closing agent.

You can expect to review and sign all of the documents below at the closing:

- Truth-In-Lending (TIL) statement - This disclosure details your annual percentage rate (APR) and the total cost of all finance charges. You will receive an updated TIL statement three days prior to closing.
- HUD-1 Settlement Statement - This document lists the details of the transaction; purchase price, financing amount, loan fees and charges, prorated real estate taxes and amounts paid back and forth between buyer and seller.
- Mortgage Note - This document is a binding legal agreement to make payments, and it includes your formal promise to repay the debt.
- Deed of Trust—This document gives Regions Mortgage a legal claim against the house.

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## Path to Homeownership

### Life as a Homeowner

#### Settling In

- Introduce yourself to your new neighbors to gain valuable information about your new community.

#### Safety tips

- Obtain emergency numbers for the nearest hospital, local police department and fire department soon after your move in.
- For personal safety reasons, change all the door locks and deadbolts.

#### Fire safety

- Smoke detectors - Install outside of each bedroom door, near the living room and on each floor. Check batteries regularly.
- Fire extinguishers - Purchase at least two fire extinguishers.
- Fire-prevention inspection tour - Many communities offer this as a service based on the homeowner's request.
- Evacuation plan - Develop a plan. Be sure everyone in your family knows where to go in the case of a fire.
- Carbon monoxide detectors—Carbon monoxide is a colorless, odorless, deadly gas. It is a good idea to install at least one carbon monoxide detector in your home.
- Storing valuables - Invest in a fireproof box, or contact your local Regions Bank for safe deposit box availability for the storage of all your important documents.

#### Getting to know your new home

Every adult member of your household should know the location of all of the following:

- Main cutoff valves for water and gas
- Emergency switch for the furnace or burner
- Hot water heater thermostat
- Main electrical switch
- Fuse box or circuit breaker box

#### Maintaining Your New Home

To protect the value of your investment, be prepared to perform regular maintenance or upkeep on your home. Use the checklist on the previous page to determine which home maintenance activities to perform each season. Replace or repair items as needed.

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# Path to Homeownership

## Life as a Homeowner (continued)

### Fall Checklist Outside:

- Check all weather stripping and caulking around windows and doors.
- Check for cracks and holes in house siding; fill with caulking as necessary.
- Remove window air conditioner, or put weatherproof covers on them.
- Take down screens (if removable type); clean and store them.
- Drain outside faucets.
- Clean gutters and drain pipes so they won't be clogged with leaves.
- Check roof for leaks.
- Check flashing around vents, skylights, and chimneys for leaks.
- Check chimney for damaged chimney caps and loose or missing mortar.
- Check chimney flue; clean obstructions and make sure damper closes tightly.
- Clean siding. Paint or seal if you have wood siding.
- Inspect wood framing for termites; re-treat as necessary.

### Fall Checklist Inside:

- Check insulation wherever possible.
- Have heating system and heat pump serviced; humidifier checked; filters changed.
- Drain hot water heater and remove sediment from bottom of tank; clean burner surfaces; adjust burners.
- Check all faucets for leaks; replace washers if necessary.
- Check and clean humidifier in accordance with manufacturer's instructions.
- Clean refrigerator coils.
- Test and check batteries on smoke and carbon monoxide detectors.

### Spring Checklist Outside:

- Check all weather stripping and caulking around windows and doors, especially if you have air-conditioning.
- Check house for cracked or peeled paint; caulk and re-paint as necessary.
- Remove, clean and store storm windows (if removable).
- Check all door and windows screens; patch or replace as needed; put screens up (if removable type)
- Check for cracks or surface deterioration if you have a concrete or block foundation.  
Consult a professional if you have any leaking or severe cracking.
- Inspect roof for missing or deteriorated shingles.
- Clean exterior and garage doors; refinish when necessary.

### Spring Checklist Inside:

- Replace filters on air conditioners.
- Check and clean dryer vent, stove hood, and room fans; change or clean filters on furnace.
- Check seals on refrigerator and freezer; clean refrigerator coils.
- Clean fireplace; leave damper open for improved ventilation if home is not air conditioned.
- Check basement wall and floors for dampness; if too moist, remedy as appropriate.
- Clean dehumidifier according to the manufacturer's instructions.
- Check for leaky faucets; replace washers as necessary.
- Check attic for proper ventilation; open vents.
- Clean drapes and blinds; repair as needed.
- Test and check batteries on smoke and carbon monoxide detectors.

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# Path to Homeownership

## Life as a Homeowner (continued)

### Cost Effective Energy Conservation Measures

There are many low-cost D-I-Y (do it yourself) ways to improve the energy efficiency of your home. Several questions you should ask yourself:

- Do you need more insulation in your home?
- Are there storm windows all around?
- Are weather stripping and caulking needed?
- Is the attic properly ventilated?
- Is the room temperature controlled by a timed (programmable) thermostat?

Contact your local utility company for additional energy-efficient tips. Obtain information about the federal tax rebates that are available for installing energy-efficient heating and cooling systems.

### Major Repairs / Home Improvements

When hiring a contractor, follow the guidelines below with all major job repairs.

- Interview several contractors.
- Ask for references - Ask friends and relatives for recommendations.
- Get cost estimates - Understand the difference between an estimate and a firm bid.
- Be sure the contract is detailed as to exactly what work is to be done and when. Discuss how the payments should be made.
- Determine if building permits will be required and who is required for obtaining them.

### Meeting Your Financial Obligations as a Borrower

Purchasing a new home is one of the biggest investments you will every make. Careful consideration should be given to the serious implications that come along with owning your own home.

- Creating a household budget is a step in managing finances responsibly. See Worksheet #8 (Budget Planning) located in the Path to Homeownership Workbook.
- Be aware that making late payments can result in late charges and will damage your credit rating.
- Failing to make payments can result in serious consequences like foreclosure. Be sure to contact Regions Mortgage immediately if you find yourself in a situation where you cannot make your mortgage payments.

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# Path to Homeownership **WORKBOOK**



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## Path to Homeownership Workbook Table of Contents

Worksheet 1	Calculating Your Maximum Mortgage
Worksheet 2	Your Available Cash and Assets for Down Payment
Worksheet 3	Gross Income Calculation
Worksheet 4	Your Monthly Debt Payments
Worksheet 5	Home Buying Plan Chart
Worksheet 6	Housing Preferences
Worksheet 7	Comparison Shopping
Worksheet 8	Budget Planning

# WORKSHEET 1

## Calculating Your Maximum Mortgage

To compute your maximum mortgage amount for a loan, use the mortgage qualifying guidelines below. This will provide you with a rough estimate for which you may qualify. Special loans like the affordable loan products from Fannie Mae and Freddie Mac may allow higher numbers, which may allow you to qualify for a larger loan.

### Housing Expense Ratio (1)

Total Gross Monthly Income \$ \_\_\_\_\_  
 X .28  
 Max allowable PITI (payment plus taxes, insurance, homeowner / condo fees) \$ \_\_\_\_\_ (1)

### Total Debt Ratio (2)

Total Gross Monthly Income (Before taxes and other deductions) \$ \_\_\_\_\_  
 X .36  
 Maximum allowable PITI \_\_\_\_\_  
 Plus other monthly debts + \_\_\_\_\_  
 Minus Total Monthly Debt Payments - \_\_\_\_\_  
 Maximum allowable for PITI \$ \_\_\_\_\_ (2)

Choose the lesser of (1) or (2) \$ \_\_\_\_\_ (3)

This is the max allowable PITI, given your current gross monthly income and debts.

Multiply (3) by 80 percent\* to estimate portion of PITI that represents Principle and Interest only. X .80  
 \$ \_\_\_\_\_ (4)

Divide the Maximum Allowable for P & I (4) by the factor in the chart below that most closely represents today's interest rate environment.  
 Multiply this by 1000. X 1000

**Maximum Allowable Mortgage** \$ \_\_\_\_\_

Interest Rate	30 Year P&I Factor	Interest Rate	30 Year P&I Factor
4.25%	4.919	5.50%	5.678
4.50%	5.067	6.00%	5.996
4.75%	5.216	6.25%	6.157
5.00%	5.368	6.50%	6.321
5.25%	5.522	6.75%	6.486

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# WORKSHEET 2

## Your Available Cash and Assets for Down Payment

The chart below helps you determine how much you can contribute towards a down payment and the closing costs.

Bank Name: _____	
Checking Account(s)	\$ _____
Saving Account (s)	\$ _____
Mutual funds, stocks, and bonds	\$ _____
Cash value of life insurance policy	\$ _____
Cash gifts from parents or other relatives	\$ _____
Other assets	\$ _____
<b>Total Cash and Assets</b>	<b>\$ _____</b>
<b>Down payment</b>	<b>\$ _____</b>

Loan Amount: _____				
% Down Payment	20%	15%	10%	5%
Downpayment = Purchase Price x ___%				
Closing Costs = Purchase Price x 6%				
<b>Total Estimated Downpayment</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>
Notes:				

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# WORKSHEET 3

## Gross Income Calculation:

Include all income you receive on a regular basis. Complete Worksheet 3 below, "Your gross monthly income" and include all sources of gross income for yourself and any co-borrower(s).

	Borrower	Co-Borrower	Total
Employer Name _____ Years on job _____			
Employer Name _____ Years on job _____			
Employer Name _____ Years on job _____			
Employer Name _____ Years on job _____			
Gross Pay (before taxes and other deductions)	\$		
Overtime/part-time/seasonal/commissions	\$		
Bonuses/tips	\$		
Dividends/interest earnings	\$		
Business or investment earnings	\$		
Pension/Social Security benefits	\$		
Veterans Administration benefits	\$		
Unemployment compensation	\$		
Public assistance	\$		
Alimony, child support, or separate maintenance income	\$		
Other	\$		
<b>Total Gross Monthly Income</b>	<b>\$</b>		
Notes:			

Alimony, child support, or separate maintenance income need not be revealed, if you do not wish to have it considered as a basis for repaying this obligation.

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# WORKSHEET 4

## Your Monthly Debt Payments

Your existing debt plays an important role in determining how much money you can borrow. Complete the worksheet below to compile all your debts.

	Monthly Payment	Outstanding Balance
Car payment	\$	\$
Other installment loan payments with ten or more monthly payments remaining (for example, furniture, appliance, etc.)	\$	\$
Average monthly credit card payment	\$	\$
Student loan payment	\$	\$
Deferred (Deferred until )	\$	\$
Non Deferral Schedule Payment	\$	\$
Medical/health care payment	\$	\$
Alimony/child support payment	\$	\$
Other payments	\$	\$
	\$	\$
	\$	\$
	\$	\$
<b>Total Monthly Debt Payments</b>	<b>\$</b>	<b>\$</b>
Notes:		

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# WORKSHEET 5

## Home Buying Plan Chart

Home Buying Plan Chart	
Home Purchase Price	\$
Down payment required	\$
Funds Available	\$
Savings Needed	\$
How much money do I want to borrow?	
Loan Amount	\$
Monthly Payment (P&I)	\$
Taxes and Insurance (T & I)	\$
Mortgage Insurance	\$
<b>Total Monthly Payment</b>	<b>\$</b>
Credit Score:	
Products	
Savings Plan:	Time Frame to Achieve Goal
Debt Payoff Plan:	Time Frame to Achieve Goal

Communicate with your Regions mortgage originator monthly to answer any questions you may have and review the progress of your path to homeownership.

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# WORKSHEET 6

## Housing Preferences

Type of Home	Existing or Newly-built
	One level or more than one story
	Traditional or Contemporary
Construction	Brick or wood siding OR cement OR cedar shingles OR other
Lot	Size
Rooms – type and number	Bedroom(s): #
	Bath(s): #
	Dining
	Kitchen (space for eat-in table/chairs OR no)
	Family
	Laundry Room
	Basement
	Attic space
	Storage requirements
	Other
Floors and covering	Hardwood OR wall-to-wall carpeting OR mix
Extras	Fireplace (gas OR wood-burning)
	Garage: # of cars
	Porch OR deck OR patio
	Pool
	Irrigation OR sprinkler system
	Security system
	Air-conditioning (central or window)
Heat	Forced air OR radiator OR Other
Fuel	Gas OR oil OR passive solar OR other
Overall energy efficiency	Could qualify for an Energy Efficiency Mortgage or local Energy Star savings program
Transportation requirements	
School requirements	
Access to grocery and other shopping	
Church requirements	
Price range	\$ _____ to \$ _____
Cash down payment available	\$ _____
Special requirements or preferences	

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# WORKSHEET 7

## Comparison Shopping

Use the worksheet below to keep a list of all the features/prices of the homes you preview. Shop with a prepared list of questions to ask the real estate professional as well as the owner(s) based upon your needs.

Address:	
<b>The MLS printout provided by the real estate agent should provide the following:</b>	
The asking price?	
The annual property taxes?	
The average monthly utility costs?	
What is the seller's current mortgage balance and monthly payments?	
Is the seller willing to take back a second mortgage?	
<b>Neighborhood</b>	<b>Ideal                      Acceptable                      Poor</b>
Are many houses for sale in the area? If so, why?	
Are there plans to change the zoning regulations? If so, will it affect the neighborhood?	
Is it convenient to public transportation?	
To shopping, recreational facilities, schools, Churches?	
<b>Whether a new or old home, the quality of the building materials, craftsmanship, and the condition, are important.</b>	
Type of home and construction?	
How well insulated is the house?	
Are the windows energy efficient?	
Is the roof in good condition?	
Does the house appear to have been well maintained?	
Floor plan: good traffic flow from one room to another?	
Bedroom(s)	Number: _____ On which floor(s)?
Bathroom(s)	Number: _____ (full) _____ (half)
Dining room	
Kitchen (space for eat-in table/chairs OR not)	
Any built-in appliances?	
Family room	
Laundry room	
Basement	
Is the basement finished?	
Attic Space or Storage Space	
Floors and covering	
Heat	Gas OR oil OR passive solar
Air-conditioning (central OR room)	
Extras	
Fireplace (gas OR wood-burning)	
Garage: # of cars	
Porch OR deck OR patio	
Irrigation OR Sprinkler System	
Security System	

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# WORKSHEET 8

## Budget Planning

Current Expenses	Average Monthly Payment
<b>Housing Expenses</b>	
Rent	\$
Utilities	\$
Discretionary Spending	\$
Babysitting	\$
Food	\$
Clothing	\$
Gas and Oil	\$
Car Repairs	\$
Entertainment	\$
<b>Current Non-Housing Expenses</b>	
Day Care / Tuition	\$
Car Loan	\$
Car Insurance	\$
Health Care	\$
Credit Card Payments	\$
Installment Loan Payments	\$
Student Loan	\$
Alimony / Child Support	\$
Taxes	\$
Telephone	\$
Insurance	\$
Other (specify)	\$
Other (specify)	\$
Savings	\$
<b>Total Monthly Expenses and Savings</b>	<b>\$</b>

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