WELLS FARGO HOME MORTGAGE

The Next Stage®

Your Down Payment Options Guide

Moving In With Minimal Cash
To Maintain Your Financial Flexibility

Contents

Down Payments Aren’t A Problem Anymore

New Financing Options Help You Achieve Your Dream

Owning your own home...it’s one of the greatest achievements in life. But while homeownership is a dream many Americans share, a lot of us find saving for the down payment to be a major hurdle. Others have money available through things like 401(k) accounts and mutual funds, but don’t feel right dipping into those investments. If you fall into one of these two groups, we have good news for you. Today, there are many options allowing you to purchase a home with little or no money down.

A Secure And Affordable Investment

Homeownership is one of the smartest and most secure investments you can make. It can also be one of the most affordable. You don’t really need to have a lot of money in the bank to become a homeowner.

Lower interest rates, new lending guidelines, and consumer education campaigns have been showing more and more Americans that they really can own a home. And since most homes appreciate with time, the chances of a home asset increasing your overall wealth are very good. At Wells Fargo Home Mortgage, our home mortgage consultants are trained to work with you on your investment in your home. We can help you put your home at the heart of your financial well-being.

And it’s not just about money. Few things in life compare with the pride and satisfaction you get from owning your own home. Perhaps you come from a long line of homeowners. Or maybe you’re the first in your family to ever be one. Either way, a home can be the foundation for a lifetime of memories. It may even become a family treasure to be passed down over the years — one that preserves family history and provides your heirs with a welcome sense of financial security.

Owning Can Cost Less Than Renting

The first question you need to tackle in your quest to become a homeowner is “Why should I buy instead of rent?” Renting certainly has some advantages over owning. If you need to move frequently, if you’re not at a stage of your life where you want to commit to the responsibilities or costs of maintaining a home, or if your future income is extremely uncertain, renting may be the best option. Just don’t assume that renting is more affordable than owning.

A monthly mortgage payment is often lower than the monthly rent on a much smaller property. If you’d like to compare what you’re paying for rent against what you might make in house payments, just visit http://www.wellsfargo.com/mortgage and use our Rent vs. Buy calculator.

Owning your own home is like having a savings account that you can live in. Every month, the payment you make on your mortgage adds to the equity you have in your home and makes your home asset a more valuable part of your portfolio. Money paid for rent simply evaporates each month. Plus, research has shown that real estate has proven to deliver a highly reliable increase in value compared to other types of investing. If you’re renting, those reliable returns are going into your landlord’s pocket, not yours. When you add in the federal tax deductions for mortgage interest and real estate taxes, homeownership becomes an even more attractive idea.[1]

[1]Consult your tax advisor for details.

The Real Costs Of Homeownership

Homeownership also has some wonderful advantages. But there are some additional costs involved that you may not incur as a renter. Make sure you consider these in your monthly budget before you decide to become a homeowner.

- **Homeowners Insurance**: Most lenders require the purchase of a homeowners insurance policy to protect your home against loss due to legal liability, fire, flood, or natural causes. For a free, no-obligation homeowners insurance consultation and quote, contact the **Wells Fargo Select®** Homeowners Insurance Program[2] at 1-800-237-1515.
- **Maintenance**: It takes time and money to keep a property in top condition. You'll find that some sellers have kept their homes in great shape, and some in not-so-great shape. This is particularly true with older homes. One way homebuyers protect themselves is with a home warranty. They cost a few hundred dollars a year, depending on the size of your mortgage and where you live, but they cover most of the major appliances and protect you from big expenses. They can be a good value in any homebuying situation, but especially if you have a fondness for older homes.
- **Taxes**: Most communities finance a lot of their schooling and services through property taxes. The tax rate varies from town to town, so speak with your real estate agent to understand what the taxes are on each home you look at. The good news is that property tax payments should be fully deductible at income tax time.[3]
- **Homeowners Association Dues**: Condominiums and planned developments often have homeowners associations. The fees connected to these groups can range from a few dollars to several hundred dollars a month for upscale condos or neighborhoods with lots of amenities. As an owner, getting involved with the association can give you a voice in deciding how much those fees should be.
- **Closing Costs**: The cost of buying a home is more than just the purchase price. Each homebuying transaction requires the services of a large number of professionals from a variety of fields. It's common for these costs to add up to between 3% and 5% of your total mortgage.

When you choose to work with a lender, your home mortgage consultant will give you a Good Faith Estimate of your closing costs shortly after you apply. If you'd like, you can do your own initial estimate by using the online **Home Loan Workbench℠** tool found at http://www.wellsfargo.com/mortgage. We can also work with you to include your closing costs in your loan amount to reduce the amount of out-of-pocket money involved. Ask your home mortgage consultant for more details.

Various Down Payment Options

Alternatives To The 20% Standard

In the early days of mortgage lending, a 20% down payment was required by most lenders as protection against the possibility of homebuyers defaulting on their loans. But as the cost of housing in American has risen, the 20% down payment has become a significant obstacle for many buyers. In order to make homeownership more affordable, a lot of lenders now offer home financing programs that require little or even no money down. These new programs include

[2] Wells Fargo makes insurance available through Wells Fargo Insurance, Inc. or licensed affiliates. CA license #0831603.
- Not insured by FDIC or any federal government agency.
- Not deposits of or guaranteed by any bank.

Coverage may not be available in all states or for all properties.

[3] Consult your tax advisor for details

Home Asset Management℠ Account: Only Wells Fargo Home Mortgage offers this innovative program. It links a first mortgage with a home equity line of credit[4] that increases along with the value of your home. You can manage your home as a liquid asset, accessing funds to do improvements that may increase its value and opening up other new investment possibilities with that growing home equity line of credit. The linking of these two mortgages helps you avoid paying for Private Mortgage Insurance (PMI) and, in addition, the home equity line of credit makes funds available for other investments.

Conventional Loans With Private Mortgage Insurance: Many lenders will make loans with little or no down payment, as long as the borrower has adequate credit. These programs require the borrower to make a payment for private mortgage insurance (PMI) along with their monthly mortgage payment. Talk to your home mortgage consultant about your options, and how PMI payment will affect your total monthly payment. PMI can open doors for buyers challenged by a lack of down payment funds. And it's not something you have to live with forever. Once you establish a 20% equity share in your property — through appreciation and paying down your loan — you can eliminate the PMI.

VA Loans: The United States Department of Veterans Affairs (VA) has been providing no-money-down loans for veterans and their families since the inception of the GI Bill. However, few people realize that the general public also can get VA financing if they buy a property that's been foreclosed by the Department of Veterans Affairs. Your real estate agent can help you locate these foreclosures in your area.

FHA Loans: The Federal Housing Administration (FHA) also makes loans with very little down payment required (3%). Some of these loans are known as "bond loans" — state and local programs designed to revitalize certain neighborhoods, help potential buyers in lower income brackets, or encourage homeownership among set groups like teachers and police officers.

Closing Cost Saver℠ Program: This "103% loan" from Wells Fargo Home Mortgage allows buyers to borrow up to 103% of a home's sale price to not only avoid making any down payment, but to cover a good portion of closing costs as well. While this is an obvious benefit to anyone who wants to pay the absolute lowest amount of money out-of-pocket for a house, it also has some serious drawbacks to consider. For instance, buying this way immediately puts you "upside down" in your investment. You actually owe more money than the home is worth. If for some reason you're forced to sell the home after a short period of time or if property values decline, you may have a problem repaying the entire loan when you sell. However, if you're looking to buy with little out-of-pocket cash because you're planning to stay in the home awhile or planning significant value-adding renovations, this can be a smart way to leverage your investment.

Creative Ways To Save

While all of these low-down-payment/no-down-payment options can make homebuying more accessible, it's still a good idea to have some savings you can bring to the table. Having some cash on hand is also helpful in covering closing costs, any work your property may need, or unforeseen expenses that may come along. Here are several suggestions to help build the size of your cash reserves.

Set Up A Forced Savings Plan: Set up a separate banking account and deposit a set amount into it every month. This works best if you do it through an automatic deduction. If you don't see the money, you're less likely to spend it. Contact a Wells Fargo banker to discuss setting up a direct deposit account.

[4] Home equity line of credit in **Home Asset Mangagement** Account offered by Consumer Credit Group, Wells Fargo Bank, NA.

EQUAL HOUSING LENDER

Skip Or Downsize Luxuries For A Year: Start small and stick with it. Things you might not necessarily think of as luxuries can really add up in terms of dollars saved. For instance, if you usually buy lunch every day try "brown bagging" a few days a week. If your family has gotten used to eating out at least once a week, try cutting back to just a couple of times a month. On the "big ticket" side, you might consider a less expensive car than you might otherwise buy or a lower-cost vacation than you might normally take.

Pay Off Credit Cards: Big credit card balances don't do you any favors on credit reports or when qualifying for a loan. They can make you appear overextended. They can also put a huge burden on your savings efforts. Always start by paying off the cards with the highest interest rates, even before the ones with lower balances. And you don't have to completely get rid of your credit cards. You just need to be careful about using them. Credit cards used smartly are actually signs of a financially responsible and creditworthy borrower.

Certificates Of Deposit (CD): Certificates of deposit are a convenient, low-risk method of saving. But when rates are low, committing to a few long-range CDs isn't a good idea. Get several shorter-term CDs of varying ranges, instead. That way, you can adjust or "ladder" your CD choices to take quick advantage of movements in interest rates. Wells Fargo Bank has 1,800 locations across the country where you can go to learn about the choices available. If you don't live near a Wells Fargo Bank branch, you can read about CDs online at http://www.wellsfargo.com/per/savings_cds/.

Sell Unwanted Items: Chances are good that an in-depth search of your current home will turn up quite a few items you rarely use and/or simply don't even want to keep. Sell all that stuff and put the proceeds straight into your down payment fund.

Earn Some Extra Income: Look for a part-time job that you can do without interfering with regular employment. Try an evening job in retail, party-oriented sales, or a seasonal job. Some of these part-time positions may even offer dependable employees insurance options or discounts that make the job more attractive. The key here is discipline, so that your extra income goes directly into your down payment fund and not into taking advantage of your employee discount at every opportunity.

Finding Money In Surprising Places

The most common sources for a down payment are personal savings accounts and traditional investments, but there are several other places that can supply part or all of your down payment.

- **IRA Account**: The federal government allows first-time homebuyers to use $10,000 in IRA funds for a down payment. For married couples who are first time buyers, this could provide up to $20,000 in down payment funds.
- **401(k)**: If you have money in a company retirement fund, like a 401(k), you can usually borrow against your balance for a down payment. Be sure to ask about the rules regarding paying back the money and anything you may need to do to avoid tax penalties.
- **Gifts**: Depending on the loan guidelines, you may be able to use monetary gifts from family or friends as part of your down payment. However, you will most likely be required to provide written proof that the funds were truly a "gift" and not a personal loan. Also, there are caps on how much gift money you can receive per year without increasing your tax obligations.[5]

Check with a financial advisor, tax accountant, and a home mortgage consultant to learn more about how these options can impact your overall home financing plans and future goals.

[5] Consult your tax advisor for details.

Big Down Payment, Or A Small One?

Maybe your biggest question isn't "How much money can I afford to put down?" but rather, "How much money is smart to put down?" The answer to that depends upon the following factors:

Your Monthly Payment Comfort Zone: This is the single most important consideration in deciding how much to use as a down payment. If you have a good income and a solid credit history, you can probably get an even larger loan than you might expect as long as the numbers say you can handle it. Start out by doing a personal assessment of your monthly spending and saving habits. Then determine the maximum monthly mortgage payments that would still fit your budget and lifestyle.

PMI Fees: Even if you can easily afford a full 20% down payment but decide not to make it, under some programs you may still need private mortgage insurance. Ask your home mortgage consultant if your financing package can be structured to avoid PMI.

Other Debt: If you have a substantial amount of high-interest debt, like big credit card balances, talk to your financial advisor. Depending on the type of debt and the interest rate charged, it may make better financial sense to use any cash you have to pay off that debt, rather than putting the cash into a down payment. In addition to the potential of a lower interest rate than many other types of loans, mortgage interest is tax deductible[6] which can make it a more attractive debt than credit cards, for example.

Opportunity Costs: If you're buying a $200,000 home, a 20% down payment would tie up $40,000 in cash. If you have to liquidate other high-earning assets, pay substantial capital gains taxes, or incur other penalties to access those funds, you may be better off leaving investments with a high potential return in place and making a smaller down payment. We can help you look at some different payment options so you can make an educated decision about how much you're comfortable putting down. You should also talk to a financial advisor. If you don't have one, call us and we'll get you in touch with a Wells Fargo financial planning expert. Many non-profit financial planning companies also exist to help you.

Other Ways To Make A Home More Affordable

If you've gone through your budget process and feel that you can't afford what you want, there are some other things you can do to make getting a home more affordable.

Purchase A Fixer-Upper: Any time a home has obvious problems, the selling price becomes much more negotiable. If those problems are superficial things, like ugly wallpaper, worn carpeting, or hideous color schemes, you can probably get the property at an attractive price, then fix it up to suit your own tastes fairly easily. If the problems are the kind that require light construction work, like replacing drywall, the fixes become a little more challenging. If you have absolutely no free time or if you're simply not handy when it comes to home repairs, the fixer-upper route can be more costly than it's worth. Ask your Wells Fargo Home Mortgage consultant for a free copy of our homebuying guide on renovating to create a Dream Home from Wells Fargo Home Mortgage.

Look Into Multifamily Homes: Another way to make a home more affordable is by getting other people to help you pay for it. By purchasing a duplex or other multifamily home, your tenants will pay for a significant part of your house payments and could even generate a profit for you. But before you go this route, contact us for a free copy of our guide on buying an investment property. It'll give you a good overview of the responsibilities involved with being a landlord.

[6] Consult your tax advisor for details.

Consider Condos: Condominiums are an especially attractive option if you have a very active schedule and don't particularly like doing home maintenance. Initial purchase prices are generally less than single-family homes, but be sure to factor the monthly association fee into your budget. It could be significant, depending on the level of maintenance and amenities your association provides.

Lease To Own: This approach allows you to get into the home you want right away without putting any money down until later. By agreeing to a monthly lease rate that puts a portion of the payment toward the purchase, you can have a good deal of equity in the home by the time you close on it. You may even avoid making a down payment entirely. Meanwhile, the sellers or landlords have a guaranteed cash flow, and a guaranteed sale without having to pay a real estate agent's fee. There are some risks with this approach, as well. For instance, you need to structure your agreement so your landlord can't simply change gears and not sell you the house after you've invested months of payments in the deal. Consult your legal representative and your home mortgage consultant when you're writing the lease and purchase agreements. You want to be sure that the agreement you put together will work with your future financing. Mortgage underwriting guidelines say that only a portion of the rental payment over and above the customary amount can be applied toward the down payment.

Buy A Foreclosed Property: While it's true that you can find occasional bargains among foreclosed properties, there are serious pitfalls you need to avoid. Foreclosed properties are often sold "as is" (meaning you can't require the seller to make any fixes), and the purchase time line may not give you enough room to do a careful inspection. If you decide to go this route, just make sure you get an opportunity to check out the property thoroughly. Ask your real estate agent to help you identify foreclosure listings in your area. You can also search the Web sites for Fannie Mae, Freddie Mac, HUD, and the Department of Veterans Affairs. To view our Wells Fargo Home Mortgage foreclosures, log on to our Web site at http://www.wellsfargo.com/mortgage.

When You're Ready To Look For A House

Get Educated

The more educated you are about buying your first home, the greater your chances of success will be. That's why it's a good idea to look for as many sources of information and help as possible. This guide is an excellent first step to gaining an understanding of the financing options available. For additional information, a Wells Fargo Home Mortgage consultant can walk you through the home finance process. When you speak with your consultant, ask about any homebuying seminars they may be offering. These are great forums for learning about the home finance process, asking questions of experts, and hearing the concerns and questions of other buyers.

Determine How Much You Can Afford

Before you fall for a property that might be a lot more expensive than it looks, take a step back and do some calculations to find out what price range is most realistic for you at this stage. Visit http://www.wellsfargo.com/mortgage and use our affordability calculator, or speak with your Wells Fargo Home Mortgage consultant who'll be happy to help you determine what you can feel confident about spending.

Get Preapproved As A Priority Buyer℠

A written preapproval letter from Wells Fargo Home Mortgage makes you a **Priority Buyer** in the eyes of real estate agents and sellers. That means you can expect preferential treatment and attention because there's no concern that your financing will fall apart. Preapproval has other benefits, as well:

- You know exactly how much you can afford to spend on your new home.
- You won't waste time looking at or falling in love with properties that are out of your price range.
- There's no nerve-wracking, waiting to see if you'll qualify to purchase a home after you've fallen in love with it.
- A preapproved buyer is a sure thing, so sellers will usually accept your offer first.
- Once you select a home, your loan approval process will be expedited and simple.

If you'd like to find out more about becoming a **Priority Buyer**, call 1-877-937-9357, contact a local Wells Fargo Home Mortgage location, or visit us online at www.wellsfargo.com/mortgage. A trained Wells Fargo Home Mortgage consultant will be happy to get you on your way to preapproval.

Make Your Wish List

Once you know a comfortable price range, put together a wish list of the things that are most important to have in your home. We've included a sample house-tour checklist toward the back of this guide to help you get started.

When you've completed your list, rank the items in order of importance. Be sure to cover your basic needs then include any strong preferences you have about things like the style of home you want and the type of exterior finish you prefer. If you absolutely don't like the flow of ranch style houses or the size of rooms in Tudors, make a note of it. Your edited wish list will make it much easier for a real estate agent to find the perfect house for you.

Choose A Neighborhood

Location is an extremely important factor in determining your long-term happiness with your new home. The right real estate agent should be able to give you a lot of information in this area. Here are a few things to think about, so you'll be able to discuss them with your agent.

- Do the schools meet my needs?
- Is the commute time acceptable?
- Are there good public recreation areas nearby?
- Will I like the nearby grocery stores and services? Am I willing to drive out of my way regularly if I don't?
- Is the neighborhood stable? Is there sufficient improvement happening around it? If homes are being well maintained and renovated it's a good sign the area is stable.
- What trends are occurring in neighboring areas? Is there revitalization happening or are they experiencing a downturn? Neighborhoods transition, that's only natural. What you need to do is select an area where positive transition is the most likely possibility.

Start Looking Online: There are several excellent Web sites offering listings of homes for sale. Searching your price range is a good way to narrow down the field of neighborhoods you'll have to choose from, get a quick sense of areas you'd like to explore further, and figure out a few areas you'd prefer to skip entirely. Write down the MLS numbers for any properties that get your attention so you can give them to your real estate agent. Remember that the real estate agent you select, with few exceptions, can show you the homes listed by any agency.

Check School Reports: If you'll need to send kids to school now or in the future, the quality of area schools is very important. Ask your real estate agent to provide you with the school reports for any neighborhoods you're interested in. Another good source is the economic development Web site of the city you're considering, the local convention and visitors bureau Web site, and the Web site of the largest daily newspaper in the area.

Building Your Professional Team

Choosing The Right Real Estate Agent

Real estate agents make it their business to know everything about communities and the homes within them. A good real estate agent can:

- Establish what you want in a home. Communicating your desires is essential to helping your real estate agent find you the right home.
- Search the Multiple Listing Service (MLS) and other resources for homes that match your needs.
- Show you appropriate homes.
- Provide valuable information on communities, comparable values of neighboring homes, tax rates, and building code regulations.
- Help you formulate an offer on the home you want to buy.
- Act as an intermediary between you and the seller, smoothing the negotiating process.

Choose your agent carefully. Note the names of agents on "For Sale" signs as you drive through neighborhoods of interest. Ask anyone you can for referrals — including your home mortgage consultant. That consultant works with real estate agents every day, so he or she will be able to provide you with a list of qualified candidates. Check the Internet sites of local realty companies, too. When you've got a good list of names, interview at least two or three of the agents. In addition to having experience in the area where you hope to buy your home, the agent you choose should be trustworthy and easy to talk to.

Tell them what you're interested in and ask if they can provide some additional information about area schools, taxes, or some other special interest. Then see how quickly they respond and how accurately they follow your request.

Once you've selected an agent, stick with that agent even when you're looking at homes listed by other agencies. A good agent will make it his or her business to be familiar with all the listings in your chosen area. Contacting a different real estate agent simply because you're attracted to a listing of theirs is counterproductive when you've built a level of familiarity and trust with your selected agent.

Choosing The Right Lender

Whether you're all set to buy or just trying to figure out what you can afford, choosing a lender who listens carefully, has the right products for your needs, responds promptly, and treats you with respect is critical. Wells Fargo Home Mortgage consultants are trained to ask questions that will give them a clear picture of both your current needs and future goals. They can help you customize a home financing program that will not only help you buy a home now, but one that can also start you on the road to overall financial success.

We help homebuyers every day in making the right choices for their home financing needs. Our home financing experts work with one of the broadest selections of products and services in the industry. In addition to all the conventional financing options, we offer special programs that overcome obstacles like credit issues, hard-to-document income, and lack of savings. Whatever your financial profile, **Personalized Solutions**℠ from our home mortgage consultants can help you capitalize on purchase opportunities through faster approvals, higher loan-to-value (LTV) ratios, and streamlined processing.

Dealing With Special Challenges

Obstacles Can Be Overcome

If you have a strong employment history and a pattern of consistently paying your bills on time, chances are good that you won't have problems qualifying for home financing. But what if you've had a few bumps in your credit history? What if you earn a good living, but you're self-employed?

Poor credit, no credit, and income-documentation issues don't mean that you won't qualify for a mortgage. Wells Fargo Home Mortgage may help you **move beyond short-term problems into a lifetime of homeownership.**℠

National Homeownership Programs

We have a variety of programs that give creditworthy borrowers the ability to purchase a home with little or no money down. They offer increased affordability and make the financing process easier and less expensive — even for customers with limited incomes or little savings.
Here are some highlights:

- **Little Or No Down Payment** with no cash reserve requirements puts less strain on your savings, and can help increase affordability.
- **Financed Closing Cost Options** allow closing costs and prepaids to be financed and included in your mortgage payments.
- **More Customers Qualify** through expanded guidelines for calculating debt ratios.
- **Flexible Credit Considerations** allow for less-than-perfect credit and the acceptance of non-traditional credit references.
- **Equity Loans Are Assumable**, making them an attractive, low-cost option for potential buyers when you're ready to sell your home.
- **Flexibility On Closing Costs Sources** allows you to use monetary gifts or an approved down payment assistance program. (DAP).

Non-Profit Down Payment Assistance Programs

There are also DAPs that can provide you with funds for your down payment and closing costs. Many don't even require repayment, if you meet the organization's guidelines. Groups like Habitat for Humanity and Homeownership Alliance of Nonprofit Downpayment Providers (HAND) also can be a source of help with homeownership resources. Speak with your home mortgage consultant, or visit http://www.homedownpayment.org for more information on DAPs.

Applying For Your Loan

Information You'll Need To Provide

Your home mortgage consultant will sit down with you and walk through the application process. It is a simple interview, and most of the information you'll need can be taken straight from your credit report. The amount you'll actually need to provide on your own isn't overwhelming. There are generally six areas that will be covered:

- **Personal Data**: Full names, addresses, and Social Security numbers of all borrowers.
- **Income**: The amount and sources of income for all borrowers.
- **Assets**: Information on all assets you'll be using to qualify for the loan. This includes things like checking and savings accounts, stocks and bonds, retirement plans, and other real estate owned.
- **Debt & Obligations**: Information on all outstanding debt and other financial obligations.
- **Credit References**: Information concerning loans or debt that have been paid, plus any other references to good credit use.
- **Property Information**: Specifics on the property you wish to buy, if you've chosen one.

What Happens Next

This simple, four-step walk-through to loan closing will help you understand the procedure and give you an idea of what to expect.

1. Processing
Your home mortgage consultant or mortgage specialist collects the information needed to process your loan. Documentation requirements vary depending on the loan program you apply for, as well as your individual financial and credit profiles. The Wells Fargo Home Mortgage specialist will send you a commitment letter detailing any documentation requirements you'll need to meet should your loan be approved. At the same time, the mortgage specialist will order an appraisal, if one is required. At this point, you'll have the option to lock in your interest rates or float it. Discussing these options with your home mortgage consultant is important.

- **Floating The Rate**: You've applied for your loan but you've also decided to wait before committing to an interest rate, perhaps because you think interest rates stand a chance of going down in the short-term. Your loan can stay in a float status up until 5 days before closing in most cases. During any float period, you can stay up to date on interest rate by signing up for the daily interest rate e-mail available on our Web site, http://www.wellsfargo.com/mortgage.

- **Locking In**: You and your lender commit to a range of interest rates for a specified period of time — up to 360 days for new construction loans. During that period, your interest rate range is protected from increases. If you close your loan during that period, you get the rate range. If you go beyond the lock-in period without closing, you may have to work with the rate ranges available at that time. That's not always a bad thing, by the way, since there's a chance that those rates may actually be lower than your lock-in rate. Locking in is something of a calculated risk.

There are also some reasons why a rate could change even during a lock-in period. For instance, a change in your credit profile could occur, you might decide to change your down payment, or you might change your mind on how many discount points you want to pay.

Whether you decide to lock or float, you'll be taking a calculated risk. It's a tough decision, and you're the only one who can make it. Talk with your home mortgage consultant to get an idea of what interest rates have been doing recently. You should also find out if there are any economic events coming up that could affect mortgage rates in the short term.

2. Title Insurance
There are two types of title insurance: one protects the lender, the other protects the borrower from claims against your ownership of the property.

Such claims might be made by undisclosed spouses, heirs of previous owners, creditors holding liens against previous owners, or other parties. Your lender will most likely require you to purchase a title policy, which will cover their interest in the property.

It's up to you if you would like to purchase a policy to protect your interest in the home. Your home mortgage consultant will be able to recommend a title insurance company who can provide you with additional information about the policies available in your area.

3. Homeowners Insurance
As mentioned earlier, most mortgage lenders require proof that you've purchased homeowners insurance at closing. Wells Fargo Insurance, Inc. is ready to help you protect your home with customized insurance through the **Wells Fargo Select®** Homeowners Insurance Program.[7]

In the event of a loss such as a fire, tornado, or burglary, homeowners insurance can pay for damages to the home, as well as for costs to repair or replace contents. If you are unable to live in your home as a result of damages, homeowners insurance can cover additional living expenses for a period of time while your home is being repaired. Homeowners insurance can also protect you from loss if someone is injured or their personal belongings are damaged while on your property.

It's protection that's just right for you, because it's tailored to your individual needs. Call 1-800-237-1515 for a free, no-obligation consultation and price quote. Wells Fargo Insurance will customize a policy for you and provide proof of insurance in time for your closing.

4. Closing
At your closing, you'll go through all the final steps of securing your new loan. The most important thing to know is that all closing costs must be paid in full at this time. Make sure you work closely with your attorney and home mortgage consultant to find out exactly how much you'll have to pay at closing. At Wells Fargo Home Mortgage, we'll work closely with you to make sure no last-second surprises affect your closing.

Dream Even Bigger With The Help Of Wells Fargo Products

Dreaming Is The First Stage

Now that you've achieved your dream of homeownership, we want you to know that at Wells Fargo, our personal assistance extends well beyond helping you buy a home. For nearly six generations, we've been pioneering products and services that help people manage their money and grow their assets. Wells Fargo & Company is a multibillion-dollar, diversified financial investment and consumer financial services company. As part of the Wells Fargo family, we can provide easy customer access to additional products and services to help achieve new goals and realize new dreams, today and in the future.

[7] Wells Fargo makes insurance available through Wells Fargo Insurance, Inc. or licensed affiliates. CA license #0831603.
- Not insured by FDIC or any federal government agency.
- Not deposits of or guaranteed by any bank.

Coverage may not be available in all states or for all properties.

Wells Fargo Portfolio Management Account®

To make good financial decisions, you need financial information that's easily accessible and simple to understand. Our top-of-the-line relationship account — the **Wells Fargo Portfolio Management Account** (**PMA®**)[8] — saves our most valued customers time and money with unmatched benefits.

- No Monthly fees on PMA-linked checking and savings accounts.
- Bonus interest rates on select PMA-linked savings and time accounts.
- No annual fee on a Wells Fargo Credit Card with **Wells Fargo Rewards®** program.
- Free online statements.
- Discounts on safe deposit boxes (where available).
- And more!

PMA also features a combined monthly statement that will simplify financial management by putting all of your vital account information in one place.

Home Equity Financing Options

Your home equity is a powerful financial resource. It can help you finance home improvements, pay college tuition, consolidate bills, or meet other important purchases and major expenses. Your home equity can even fund the purchase of an investment property or second home. Using your home equity is a smart way to manage your home asset because the interest rates on equity loans are typically lower than on other forms of financing such as credit cards and personal loans. And, the interest you pay may be tax deductible,[9] unlike most credit cards and other loans. Some home equity options[10] to consider are:

- **Cash Out Refinancing** lets you take out a new mortgage for an amount greater than your current mortgage balance and take the difference in cash. That difference is deducted from your unused equity.
- **Home Equity Loans And Lines Of Credit**[9] are subordinate financing on top of your original mortgage, sometimes taken out against a portion of the unused equity in your home. A home equity loan provides a fixed rate and term, with the funds disbursed in a single lump sum for one-time purchases. Whereas a home equity line of credit is ideal for ongoing expenses, as it offers a range of terms, low monthly payment options, and the ability to access to funds as-needed up to the specified maximum without having to apply for credit each time you need to borrow more. Both programs offer lower interest rates than typical consumer credit financing and could potentially have tax advantages.[10] A Wells Fargo Home Mortgage consultant will be happy to discuss with you whether a home equity program can help you with your homeownership goals.

Easy Account Management

The following convenient special services are designed to make your investment life easier...and they're free!

- **Online Account Access** from Wells Fargo Home Mortgage allows you to get personalized information about your loan, including details on your balance, interest rate, escrow, tax and interest data, and more.

[8] **Wells Fargo Portfolio Mangagement Account** offered through Wells Fargo Bank, NA. Member FDIC.

[9] Home equity financing offered by Consumer Credit Group, Wells Fargo Bank, N.A. Not all programs available in all areas.

[10] Restrictions apply. Consult your tax advisor for details.

EQUAL HOUSING LENDER

- **Automatic Mortgage Payment℠** service gives you the security of knowing that your mortgage payment is automatically deducted from your checking or savings account each month.
- **Wells Fargo Online®** offers you the convenience and control to manage your finances anytime, anywhere you have Internet access. With free access to Online Banking, you can:

  ✔Manage checking, savings, investments, and loans or lines of credit (including mortgage and home equity).
  ✔Check balances and review account activity.
  ✔ Transfer funds between accounts.
  ✔ Receive your monthly statements online.
  ✔ Reorder checks.

- **Online Bill Pay**

This service allows you to pay any individual or company in the U.S. And it's free for the first two months.[11]

  ✔ Schedule one-time or recurring payments.
  ✔ Receive your bills online (eBills) from select companies.
  ✔ Schedule e-mail alerts to notify you when eBills are received, when they're due, or when any payments have been sent.
  ✔ Organize bills by payment category, and track spending.

Service — How, When, And Where You Prefer

Locally: Whether you visit us in a mortgage office or a Wells Fargo Bank branch, our home mortgage consultants are available in more than 1,800 locations doing business in 50 states. Wells Fargo Home Mortgage operates the leading retail mortgage-lending network in the country,[12] and we're ready to meet your financing needs.

By Phone: If you're someone who prefers to apply by phone, Wells Fargo Home Mortgage can handle your mortgage application entirely by phone. Call us at 1-877-937-9357.

Internet: Visit our Web site at http://www.wellsfargo.com/mortgage to find out about our extensive array of products, explore mortgage options, or even begin the application process. Or simply use our Web site for research and information and then speak to a home mortgage consultant in person or by phone. No matter how you choose to work with us, you can depend on our staff to provide you the best home-loan solutions.

Wells Fargo — The Next Stage®

For nearly six generations, the Wells Fargo name has stood for reliability, integrity, and pioneering products and services that help people manage their money and grow their assets. Wells Fargo & Company is a multibillion-dollar, diversified financial investment and consumer financial services company.

As part of the Wells Fargo family, Wells Fargo Home Mortgage, Inc. can provide easy customer access to additional products and services to help achieve new goals and realize new dreams, today and in the future. From a wide choice of mortgage options to hard working home equity products, you'll find we're here with solutions.

[11] Bill Pay is free for the first two months for new customers. It remains free in any month that the combined balances in your qualifying personal accounts are at least $5,000 at all times. Bill Pay includes up to 25 payments per month; each additional payment is $0.40. Separate pricing applies to business customers. For a list of qualified accounts, please refer to http://www.wellsfargo.com/bp_waiver.

[12] Based on 2003 year-end statistics by *Inside Mortgage Finance* 1/30/04.

Potential Home Checklist

Print out a few copies of this checklist to use as you visit prospective homes.
Having a record of what each home offers can make your final decision much easier.

Date Seen ______________________________

Address ________________________________ Price ___________ Property Taxes __________

Seller _________________________________ Age of Home ____ Neighborhood __________

Style of Home

❑ Two Story ❑ Ranch ❑ Split Level ❑ Traditional
❑ Contemporary ❑ Cape Cod ❑ Townhouse ❑ Condo

Type of Construction

❑ Wood ❑ Brick ❑ Stone ❑ Stucco
❑ Vinyl Siding ❑ Aluminum Siding

Exterior Features

Roof _____________ Landscape __________ Fenced _____________ Porch _______________
Paint _____________ Trees _______________ Patio ______________ Deck ________________
Expansion Ability ____________________ Other ______________________________________
Garage ❑ 1 Car ❑ 2 Car ❑ 3 Car ❑ Detached
Roof Condition ❑ Good ❑ Fair ❑ Poor
Sidewalks ❑ Yes ❑ No
Well-Maintained Neighborhood ❑ Yes ❑ No

Interior Features

Kitchen Eat-in ______ Size _______ Walls ______ Floor ______ Appliances __________
Cabinets _______ Ceiling _______ Windows _______ Other ________________

Dining room Size ________ Walls _______ Carpet ______ Ceiling ______ Lighting Fixtures ______
Other ______________________

Living room Size ________ Walls _______ Carpet ______ Ceiling ______ Lighting Fixtures ______
Fireplace _______________ Other _________________

Den Size ________ Walls _______ Carpet ______ Ceiling ______ Lighting Fixtures ______
Fireplace _______________ Other _________________

Hallway Walls _______ Carpet ______ Linen Closet _______ Other ___________________

Total Bedrooms _______

Bedroom 1 Size ________ Walls _______ Carpet _____ Ceiling _____ Closet ______
Other ______________________

Bedroom 2 Size ________ Walls _______ Carpet _____ Ceiling _____ Closet ______
Other ______________________

Bedroom 3 Size ________ Walls _______ Carpet _____ Ceiling _____ Closet ______
Other ______________________

Total Bathrooms ______

Master bath Size _________ Walls _______ Floor _______ Tub __________ Fixtures ________

Guest bath Size _________ Walls _______ Floor _______ Tub __________ Fixtures ________

Laundry Room Location _________________ Washer _______ Dryer _________ Other _________

Good Closet Space ❑ Yes ❑ No

Basement ❑ Yes ❑ No ❑ Finished

Flooring ❑ Carpet ❑ Hardwood ❑ Tile

Utilities

Type of Heating

❑ Hot Water ❑ Gas ❑ Electric ❑ Oil

Insulation

❑ Fiberglass ❑ Cellulose ❑ Foam ❑ None

Central Air ❑ Yes ❑ No

Plumbing Condition ❑ Good ❑ Fair ❑ Poor

Sump Pump/Drainage System ❑ Yes ❑ No

Connected to Sewer System ❑ Yes ❑ No

Age of Heating System _____ Age/Capacity of Water Heater _____ Age of Electrical Wiring ______

Easy Proximity to:

❑ Work ❑ Schools ❑ Shopping ❑ Airport Area ❑ Industry

❑ Highways ❑ Houses of Worship ❑ Train Station ❑ Public Transportation

❑ Doctors/Dentists

Recent sales in neighborhood:

Address ____________________________ Size _________ Price _________ Terms ________

Address ____________________________ Size _________ Price _________ Terms ________

Address ____________________________ Size _________ Price _________ Terms ________

Address ____________________________ Size _________ Price _________ Terms ________

Real Estate Listings Decoder

Exterior House/Yard

AC	Acre
ALUM	Aluminum Siding
ANQ	Antique House
ATT	Attached Garage
CLPD	Clapboard
COL	Colonial
CONT	Contemporary
CRPT	Carport
DET	Detached Garage
DK	Deck(s)
FEN	Fenced Yard
GZBO	Gazebo
IGPL	In-Ground Pool
MED	Mediterranean
RNCH	Ranch
RR	Raised Ranch
SCPD	Landscaped
SHNGL	Shingle
SPLT	Split Level
STY	Style of House
TWNHS	Townhouse

Interior Rooms

BA	Bath (with #BA)
1/2B	Half Bath
BR	Bedrooms (with #BR)
BSMT	Basement
DR	Dining Room
FIN	Finished (attic, basement)
FOY	Foyer
FR	Family Room
GTRM	Great Room
KIT	Kitchen
LAW	In-Law Apartment
LDY/UT	Laundry/Utility Room
LIB	Library
LR	Living Room
MBR	Master Bedroom
MBRB	Master Bedroom Bath
OFF	In-Home Office
PT/FIN	Partially Finished
REC/PL	Recreation/Play Room
RM	Room
UNFIN	Unfinished (attic, basement)

Appliances/Utilities

APPL	Appliances
CAC	Central Air Conditioning
CK/TP	Cooktop
CMPT	Compactor
C/VAC	Central Vacuum
DRY	Dryer
DSP	Disposal
D/W	Dishwasher
ELEC	Electric (with #amps)
FRZ	Freezer
HT/PMP	Heat Pump
HT/WTR	Hot Water Heater
ICE	Ice Maker
MICRO	Microwave
RAD/HT	Radiant Heat
REF	Refrigerator
RNG	Range
SEC/SYS	Security System
SWR	Sewer or Septic
WAR	Warranty
WASH	Washer
WHLPL	Whirlpool Tub
W/OVN	Wall Oven(s)
WTR	Water (city or well)

Interior Features

BAL	Balcony
BLT	Built-Ins
BRK	Brick
CER	Ceramic Tile Floors, Walls
CLST	Closet (often with #)
FLR	Floors
FML	Formal (often DR)
FPL	Fireplace
HDWD	Hardwood Floors
HMOD	Handicap Modifications
PNLD	Paneled
SKYLT	Skylight(s)
SP/ENT	Separate Entrance
VLT/CL	Vaulted Ceiling(s)
WI/CLST	Walk-In Closet
WU/ATT	Walk-Up Attic
WBF	Wood-Burning Fireplace

Mortgage Terms

ASMT	Tax Assessment
ASSUM	Assumable Mortgage
FHA/VA	Financing Available

Glossary[14]

Adjustable-Rate Mortgage (ARM) – A mortgage in which the interest rate is adjusted periodically according to a pre-selected index.

Alternative Financing – A home financing program that accommodates borrowers with special qualifying factors, including poor credit histories.

Annual Percentage Rate (APR) – A yearly percentage rate that expresses the total finance charge on a loan over its entire term. The APR includes the interest rate, fees, points, and mortgage insurance, and is therefore a more complete measure of a loan's cost than the interest rate alone. The loan's interest rate, not its APR, is used to calculate the monthly principal and interest payment.

Appraisal – A report made by a qualified person setting forth an opinion or estimate of property value. The term also refers to the process by which this estimate is obtained.

Appreciation/Depreciation – "Appreciation" refers to the increase in a property's value, except for inflation. When a property decreases in value it is called "depreciation."

Assessed Value – The value that a taxing authority places on real or personal property for the purpose of taxation.

Automated Underwriting – A computerized method of reviewing home mortgage applications for loan approval.

Bridge Loan – A form of second deed of trust or mortgage that is collateralized by the borrower's present home (which is usually for sale) in a manner that allows the proceeds to be used for closing on a new house before the present home is sold.

Capital Gains – Used for tax purposes, this is the capital gain you make when you sell your home. For example if you purchase a property for $100,000 and sell it some years later for $150,000 your capital gain is $50,000.

Closing – The consummation of a real estate transaction. The closing includes the delivery of a deed, financial adjustments, the signing of notes, and the disbursement of funds necessary to complete the sale and loan transaction.

Closing Agent – Usually an attorney or title agency representative who oversees the closing and witnesses the signing of the closing documents.

Closing Costs – The costs paid by the mortgage borrower (and sometimes the seller) in addition to the purchase price of the property. These include the origination fee, discount points, appraisal, credit report, title insurance, attorney's fees, survey, and pre paid items such as tax and insurance escrow payments.

Commission – Compensation for negotiating a real estate or loan transaction, often expressed as a percentage of the selling price or loan amount.

Commitment Letter – A formal offer by a lender stating the terms under which it agrees to loan money to a homebuyer.

Comparable Market Analysis (CMA) – A written analysis of houses having similar characteristics currently being offered for sale as well as comparable houses sold in the past six months. This enables you to determine if you are paying market value for a home and to identify whether market prices are rising or falling.

[14] The terms in this glossary refer to your primary mortgage loan and do not necessarily apply to your home equity loans and home equity lines of credit.

Conventional Loan – A mortgage not obtained under a government-insured program (such as FHA or VA).

Credit Report – A report detailing an individual's credit history.

Debt-To-Income Ratio – A formula lenders use to determine the loan amount for which you may qualify. Also known as the "back-end ratio." Guidelines may vary, depending on the loan program.

Down Payment – Money paid to make up the difference between the purchase price and the mortgage amount.

Down Payment Assistance Programs (DAPs) – Gift funds offered to qualified homebuyers to be used toward down payments and closing costs. These programs are often administered by local non-profit foundations.

Equity – The ownership interest, i.e. portion of a property's value over and above the liens against it.

Escrow – An item of value, money, or documents deposited with a third party to be delivered upon the fulfillment of a condition. For example, the deposit by a borrower with the lender of funds to pay taxes and insurance premiums when they become due or the deposit of funds or documents with an attorney or escrow agent to be disbursed upon the closing of a sale of real estate. In some parts of the country, escrows of taxes and insurance premiums are called impounds or reserves.

Fixed-Rate Mortgage – A mortgage in which the interest rate and payments remain the same for the life of the loan.

FICO Score – A numerical rating developed and maintained by Fair Isaac and Company that indicates a borrower's creditworthiness based on a number of criteria.

Float The Rate – This term is used when a mortgage applicant chooses not to secure a rate lock, but instead allows the note rate pricing to fluctuate until the applicant decides to lock in, usually no later than five days prior to closing.

Foreclosure – A legal procedure in which property mortgaged as security for a loan is sold to pay the defaulting borrower's debt.

Front-End Ratio – Also known as the housing expense-to-income ratio, it compares your proposed monthly house payment (PITI) to your total household gross monthly income.

Good Faith Estimate – A document which tells borrowers the approximate costs they will pay at or before settlement, based on common practice in the locality. Under requirements of the Real Estate Settlement Procedures Act (RESPA), the mortgage banker or mortgage broker, if any, must deliver or mail the GFE to the applicant.

Government Loan – A mortgage insured by a government agency, such as FHA, VA, Farmers Home Administration, or a state bond program. The loans are generally made by private lenders, such as Wells Fargo Home Mortgage.

Home Mortgage Consultant – The Wells Fargo Home Mortgage representative a homebuyer initially consults about a mortgage loan. Sometimes called a loan officer, account executive, or sales representative.

Homeowners Insurance (also called Hazard Insurance) – A real estate insurance policy required of the buyer protecting the property against loss caused by fire, some natural causes, vandalism, etc. May also include added coverage such as personal liability and theft away from the home.

House Inspection – A thorough evaluation and written report of a home's condition both inside and out. The inspection is valuable in locating any problems in a property and helps you determine the extent of renovation needed. You can use the report to have the seller make repairs or reduce the purchase price. Always use your own inspector, and do not rely solely on the seller's inspection reports.

HUD-1 Settlement Statement – A standard form used to disclose costs at closing.

Index – A published interest rate, such as the prime rate, LIBOR, T-Bill rate, or the 11th District COFI. Lenders use indexes to establish interest rates charged on mortgages or to compare investment returns. On ARMs, a predetermined margin is added to the index to compute the interest rate adjustment.

Interest Rate – The percentage of an amount of money which is paid for its use for a specified time.

Interim Interest – The interest that accrues, on a per diem basis, from the day of closing until the end of the month.

Loan Conditions – These are terms under which the lender agrees to make the loan. They include the interest rate, length of loan agreement, and any requirements the borrower must meet prior to closing.

Loan Payment Reserves – A requirement of many loan programs that, in addition to funds for the down payment and other purchase-related costs, you have saved enough money to cover one or two months of mortgage payments after your closing.

Loan Settlement – The conclusion of the mortgage transaction. This includes the delivery of a deed, the signing of notes, and the disbursement of funds necessary to the mortgage loan transaction.

Loan-To-Value (LTV) – The ratio between the amount of a given mortgage loan and the lower of sales price or appraised value.

Margin – The set percentage the lender adds to the index rate to determine the interest rate of an ARM.

Mortgage – The conveyance of an interest in real property given as security for the payment of a loan.

Mortgagee – The lender on a mortgage transaction.

Mortgage Insurance (MI) – See Private Mortgage Insurance (PMI).

Mortgage Specialist – The Wells Fargo Home Mortgage employee responsible for collecting the completed application and all supporting documents before the entire loan packet is submitted to underwriting. Also known as a processor.

Mortgagor – The borrower in a mortgage transaction who pledges property as security for a debt.

Multiple Listing Service – A computer-based shared listing service for real estate agents that provides descriptions of most of the houses for sale in an area.

Nonconforming Loan – Conventional home mortgages not eligible for sale and delivery to either FNMA or FHLMC because of various reasons, including loan amount, loan characteristics, or underwriting guidelines.

Note – A general term for any kind of paper or document signed by a borrower that is an acknowledgment of the debt and is, by inference, a promise to pay. When the note is secured by a mortgage, it is called a mortgage note and the mortgagee (lender) is named as the payee.

Origination Fee **–** The amount charged for services performed by the company handling the initial application and processing of the loan.

Points **–** A one-time charge by the lender to increase the yield of the loan; a point is 1% of the amount of the mortgage.

Preapproval **–** A written commitment from a lender, subject to a property appraisal and other stated conditions, that lets you know exactly how much home you can afford.

Prepaids **–** Closing costs related to the mortgage loan which are collected at loan closing, including per diem prepaid interest and initial deposits of monthly escrows of taxes and insurance.

Principal **–** The amount borrowed or remaining unpaid; also, that part of the monthly payment that reduces the outstanding balance of a mortgage.

Priority Buyer℠ **–** A Wells Fargo Home Mortgage customer who has been preapproved for their mortgage loan amount.

Private Mortgage Insurance (PMI) **–** Insurance written by a private company protecting the mortgage lender against loss resulting from a mortgage default.

Processing **–** The preparation of a mortgage loan application and supporting documentation for consideration by a lender or insurer.

Rate Cap **–** The limit of how much the interest rate may change on an ARM at each adjustment and over the life of the loan.

Rate Lock **–** The borrower and the lender agree to protect the interest rates, points, and term of the loan while it is processed.

Real Estate Agent **–** A salesperson, usually licensed by the state and supervised by a broker. Agents work solely on commissions earned by selling properties.

Realtor® **–** Person licensed to sell or lease real property acting as an agent for others and who is a member of a local real estate board affiliated with the National Association of Realtors.®

Return On Investment **–** The percentage of capital gain that you make on an investment. For example, say you invest $1,000 into a property, and a year later it is worth $1,500. Your return on investment equals the profit ($500) divided by the initial investment ($1,000) or 50%.

Title Insurance **–** An insurance policy that protects a lender and/or homebuyer (only if homebuyer purchases a separate policy, called owner's coverage) against any loss resulting from a title error or dispute.

Truth-In-Lending Statement **–** A federal law requiring full disclosure of credit terms using a standard format. This is intended to facilitate comparisons between the lending terms and financial institutions.

Underwriting **–** Analysis of risk, determination of loan eligibility, and setting of an appropriate rate and terms for a mortgage on a given property for given borrowers.

Wells Fargo Home Mortgage is a division of Wells Fargo Bank, N.A.

Information is accurate as of date of printing.

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