First Time Buyers Guide

FROM LOAN TO HOME

Congratulations on taking the first step towards homeownership! Sometimes, getting started is the hardest step. Follow our handy guide to get your home loan process moving:

1 DECIDE IF BUYING MAKES SENSE

While homeownership is a large financial commitment, it can come with a lot of benefits. See if buying makes sense for you:

- Review our Rent vs. Purchase guide (pg. 4)
- Go online to bvmortgages.com and use our loan payment calculator to see how it compares to renting

2 MAKE SURE YOU'RE LOAN READY

Review your credit history with Experian, Transunion or Equifax — or all three — to ensure your credit score and credit history look good. Now is the time to resolve any outstanding issues or work to raise your credit score. Brandywine Valley Mortgage can do this for you!

Gather the documents you'll need to begin your loan application:

- 30 days of recent paystubs
- Two years of W-2s and tax returns
- Two months bank statements
- Recent 401k/retirement statements
- Explanations & paper trail of any cash deposits over $1,000

3 FIND THE LOAN THAT WORKS BEST FOR YOU

Review the Popular loan programs chart (pg. 7) to compare the advantages of various first-time buyer programs.

Meet with a loan officer to discuss your individual needs to find the loan option that makes the most sense for you.

4 GET PRE-APPROVED

A pre-approval not only gives you a better picture of what you can realistically purchase, but is also an indicator to sellers that you are a serious buyer. Our loan officers can help you get pre-approved through Brandywine Valley Mortgage's Purchase Power Program, we can have your income, credit, and assets underwritten and approved BEFORE you find a home!

5 DETERMINE YOUR MONTHLY PAYMENT

Once you know what loan amount you are pre-approved for, consider how much you are willing to pay in monthly mortgage loan payments. Our Loan Officers can help you establish this price range.

6 START RESEARCHING PROPERTIES

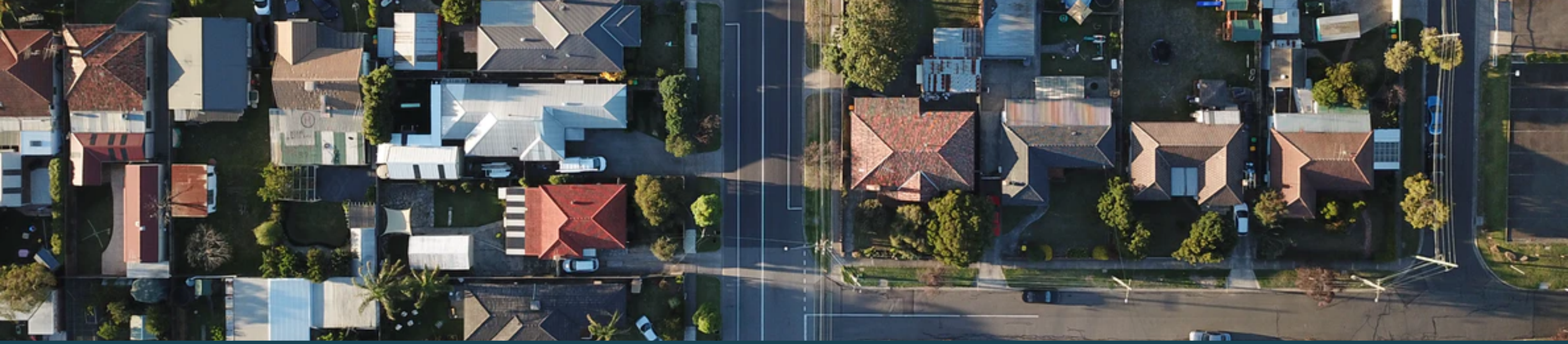
Start to research properties in your price range and narrow down your search based on what you are looking for in your new home (location, school system, community, etc.). It's also a good idea to research past home sales in your preferred area to get a better idea of your potential property's value.

7 SELECT A HOME AND MAKE AN OFFER

Once you've narrowed down some options, it's time to look at houses!

Schedule showings for the homes you are interested in.

Make an offer and let Brandywine Valley Mortgage handle the rest!!!



RENT VS. PURCHASE GUIDE

Why rent when you could own?

PREDICTABLE PAYMENT

Tired of rent increases? Purchasing a home with a fixed rate mortgage adds peace of mind and ensures you lock in a consistent mortgage payment for the duration of your loan.

INVESTMENT OPPORTUNITY

Unlike a rental, a home is a tangible asset that has the ability to appreciate in value. Plus, you can even rent out a spare room in your home for extra income!

TAX BENEFITS

Put money back in your pocket: Many expenses associated with owning a home—such as property taxes, interest and accounting costs—could all be tax deductible.

MAKE IT "YOUR" HOME

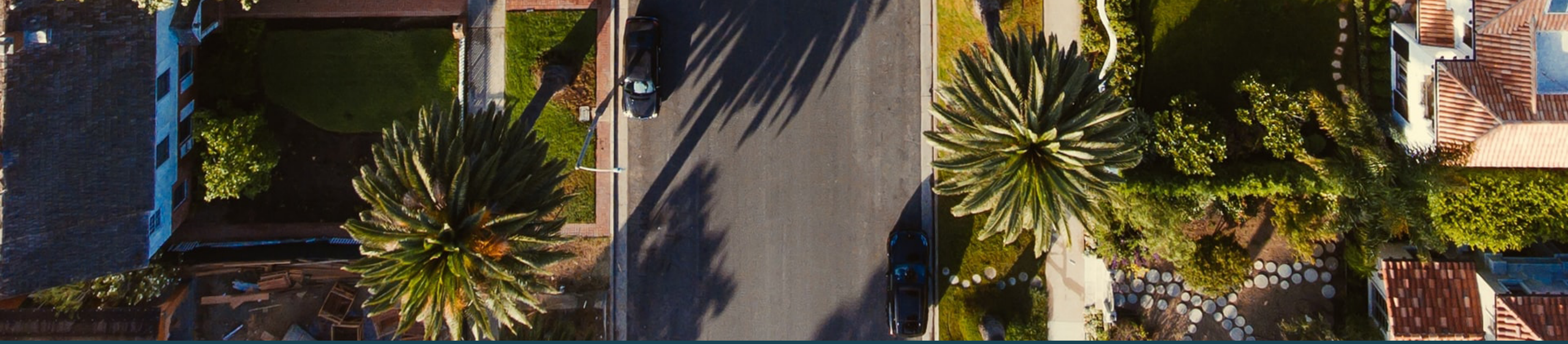
Whether it's a simple paint job or an extensive renovation, purchasing a home puts you in control. Plus, any value added to the property goes directly into your pocket—not a landlord's.

EQUITY SAVINGS

Each monthly loan payment means greater equity for the home owner. This translates into savings that benefit you, the owner (rather than a landlord).

LOWER MONTHLY COSTS

If you crunch the numbers, the monthly cost of owning a home (excluding the down payment/closing costs) is often much less than renting in the majority of U.S. markets.



HOME LOANS 101: MORTGAGE LOAN BASICS

Mortgage financing can be confusing but it doesn't have to be. There are a few things to understand, and the more you know the more prepared you'll be:

Q: WHAT DOES A MORTGAGE LOAN PAYMENT INCLUDE?

Principal: What you borrowed (also referred to as "amount financed")

Interest: What the lender charges you to borrow the money used to purchase or refinance the home

Taxes: What you pay in property taxes to your local city/municipality and sometimes county

Insurance: What you pay to insure your home from damages (fire, natural disasters, etc.). There is also Private Mortgage Insurance (PMI) which is usually required on most loans when your down payment is less than 20%. PMI is paid monthly until you reach the 20% equity threshold.

Q: WHAT IS AN ESCROW ACCOUNT?

Taxes and insurance are usually held in an escrow account and paid by the mortgage company when they are due (a portion of your monthly payment goes to fund the escrow account). This can be beneficial—especially for first-time buyers or buyers without significant savings—as you set aside a small amount each month instead of having a large, semi-annual or annual out-of-pocket expense. But, it does increase your mortgage loan payment and reduce your cash flow each month. Escrow accounts can be avoided when the borrower has at least 20% equity in the property or the loan to value (LTV) is less than 80%.

Q: WHAT IS DTI (DEBT-TO-INCOME RATIO)?

DTI is your total monthly debt payments divided by your gross monthly income (your wages before taxes and other deductions are taken out).

Step 1: Add up all the minimum payments you make toward debt in an average month plus your mortgage (or rent) payment.

Common living expenses (like utilities and food) or paycheck deductions (like health insurance of 401(k) contribution) are not included. But you do include all debts in the following categories:

- Credit report liabilities
    - Mortgages, car loans, personal loans, credit cards, student loans, timeshare loans, etc
- Home owners association dues
- Allimony and child support

Step 2: Divide that number by your gross monthly income. (Remember, that's the number before taxes are taken out.)

Lets look at an example:

Bob pays $600 a month in minimum debt payments (for student loans and a car payment) plus $1,000 per month for his mortgage payment. Before taxes, Bob brings home $5,000 a month. To calculate his DTI, add up his monthly debt and mortgage payments ($1,600) and divide it by his gross monthly income ($5,000) to get 0.32.

So, Bob's debt-to-income ratio is 32%.

Note: Lenders have various requirements for DTI that depends on the programs you qualify for. Generally most programs require a DTI under 43% but some programs allow as high as 56.9%. First time buyer programs tend to be more flexible on DTI.

POPULAR LOAN PROGRAMS FOR FIRST-TIME HOME BUYERS

	Conventional	FHA	100% Financing
FICO Score	620	580	700
Down payment	3.5%	3%	0%
LTV	96.5%	97%	100%
Program advantages	No upfront mortgage insurance (MI) No MI w/down payment of at least 20% (cancelable when home equity reaches 20%) Flexible sources of income w/ no min contribution from borrower's funds	Lower interest rates than conventional loan Borrower can use approved sources to contribute to min. 3.5% down Sooner recovery time permitted from major credit issues	No money down at closing
Ideal for:	Creditworthy borrowers with reserve funds Borrowers seeking to eliminate PMI with 20% down payment	Borrowers with low credit scores Those requiring a lowdown payment	Borrowers with DTI under 30%