

THE SMART WAY TO

BUY

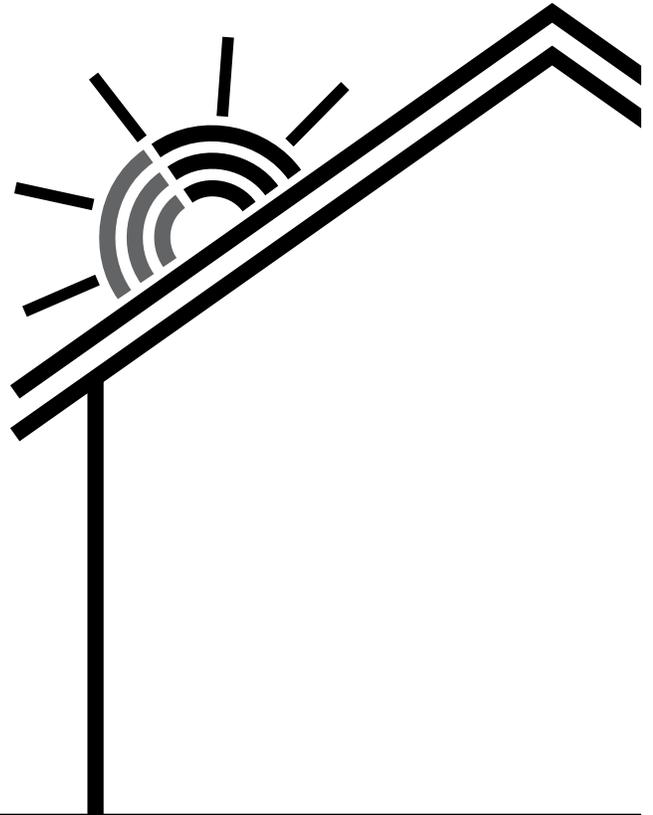
YOUR HOME

You Can Do It. We'll Show You How.

It is tough to own a home in California. But it is easier with Provident Credit Union as your partner.

We know the Bay Area. We know real estate lending. We've got a "Make Life Easy" philosophy to help members like you realize their dreams.

You're considering buying a home. Congratulations. We are here to help you make it happen.



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Make life easy.

HOME BUYING

& FINANCING RESOURCE

Real Estate Lending Department Contact Information:

Phone:

(800) 632-4600, ext 2703

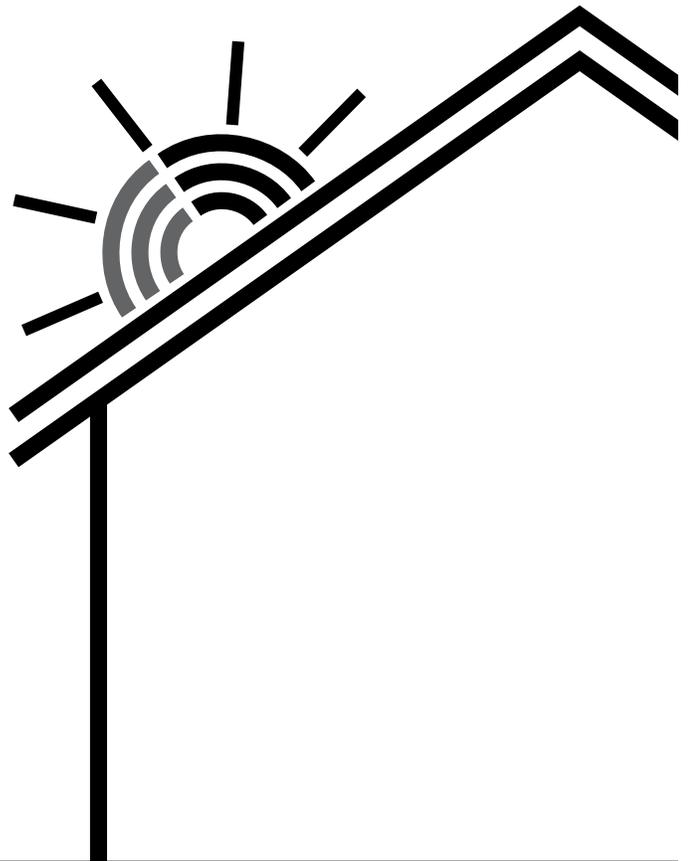
Hours:

Monday–Friday, 8:00 a.m.–5:00 p.m.

Saturday, 9:00 a.m. - 2:00 p.m.

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Make life easy.

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OUR OBJECTIVES

1. Help you determine your ownership goals and how to achieve them.
2. Explore the benefits of home ownership.
3. Help you understand the financing choices.
4. Show you how to buy a home for the best price and receive the most favorable terms.
5. Guide you through the home buying process.
6. Familiarize you with the documents required for purchasing your home.
7. Illustrate the tax breaks of home ownership.

THE PATH TO SUCCESSFUL OWNERSHIP

1. Educate yourself about home buying.
2. Apply for a mortgage.
3. Summarize your costs.
4. Establish desires & requirements.
5. Work with a knowledgeable mortgage consultant.
6. Find a home.
7. Make an offer.

PRE-APPROVAL PROCESS

A pre-qualified applicant is one that has been evaluated based on the information provided by the borrower to Provident Credit Union. This process does not require the detailed verification necessary for a formal loan "approval."

A pre-approval is an evaluation of the borrower's complete and verified credit file. This entails a review of the credit report and verification of wages, (two years of W2's and two recent pay stubs) and assets (two months of statements for each depository account).

This pre-approval process verifies income and job history, evaluates the borrower's credit history, determines availability of funds for down payment and reserves, and obtains a commitment for mortgage insurance, if necessary.

The pre-approval process involves four elements: income, debt, credit, and assets.

INCOME Employment Income Bonuses & Commissions Self-Employment Income Interest Income	DEBT Credit Cards Auto Loan Student Loan Personal Lines of Credit
CREDIT New Accounts Closed Accounts Derogatory Accounts Judgements & Tax Liens	ASSETS Savings & Checking Stocks, Mutual Funds, Bonds 401k, Pension, Stock Options Profit Sharing Gift Funds

Each one of the above elements is used to determine your purchasing power. Consult with a Provident Credit Union Mortgage Consultant to determine your purchasing power using each of the elements described above.

PRE-APPROVAL PROCESS

Housing Expense/Debt-to-Income Ratios

Provident Credit Union uses two ratios to help determine how much you can afford to spend each month on your mortgage payment.

Housing Expense Rule

As a general guide your monthly mortgage payment should be less than or equal to a percentage of your gross income, usually about 33% of your gross monthly income. The percentage can change depending on the type of mortgage you choose.

Debt-to-Income Ratio

Your buying power can be affected by factors such as your income, debt, and credit history. Your debt (e.g., credit cards, and car loans, added to your housing expenses) should not be more than 38%-40% of your income.

Minimum Requirements for Pre-approval

- Two years of employment history (continuous). Exception: recent college or trade school graduate.
- Minimum of two years of satisfactory credit history.

Minimum Liquid Assets Required

The minimum liquid assets required to qualify must cover the down payment, closing cost and two months principal, interest, taxes and insurance (PITI) reserves. The down payment and closing costs may be gifted. The required two months of reserves must be from member's funds.

Notes

DOWN PAYMENTS

The down payment is the amount of cash required by a seller or lender prior to entering into a financing agreement. It is typically represented as a percentage of the purchase price. The majority are between five and twenty percent.

Your down payment funds must be “seasoned”. That means the lender will want to verify exactly where the funds come from and verify they have been in your account for at least sixty days. You need to show a paper trail. Gifted funds are acceptable on certain programs.

Private Mortgage Insurance

When purchasing a home with less than a 20% down payment, Private Mortgage Insurance (PMI) is required. PMI insures that the lender will receive full payment should a default on the loan occur and the property is sold for less than what is owed.

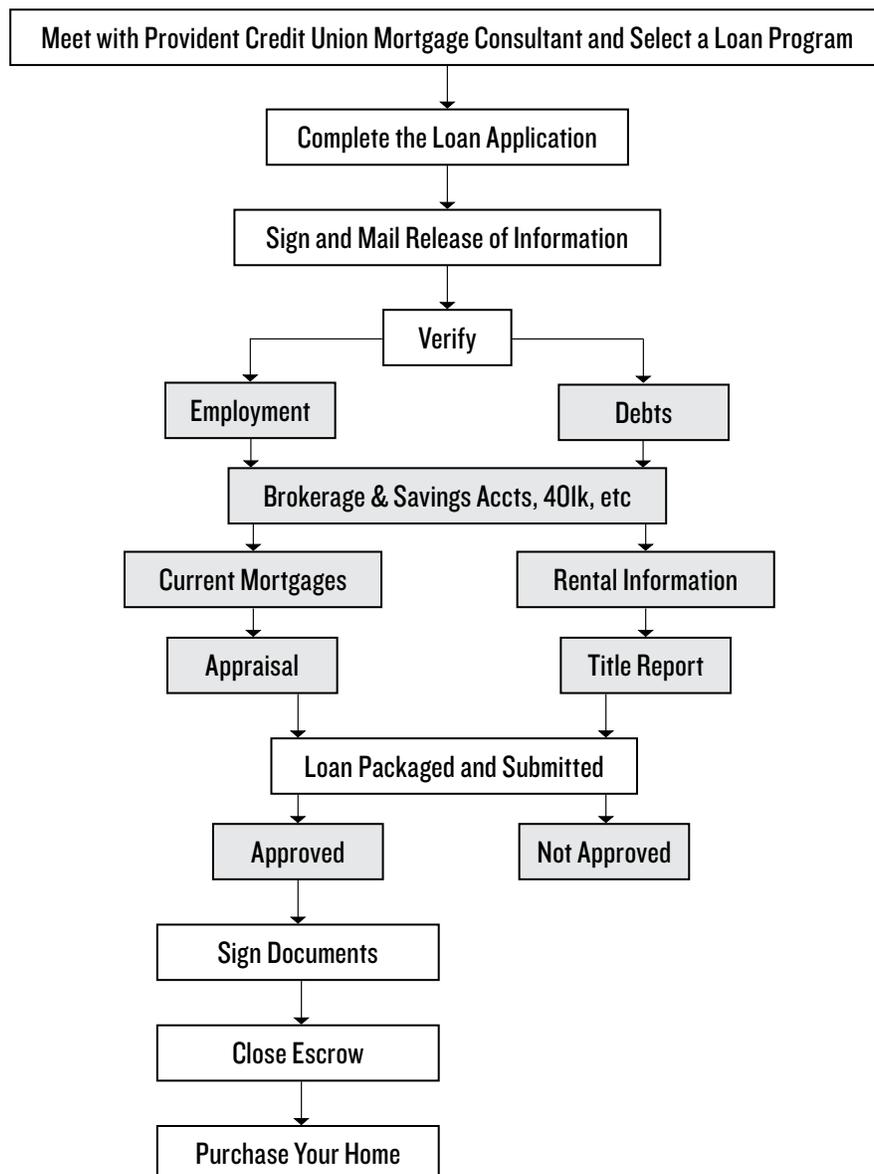
Sources of Down Payment

- Gifts
- Savings
- Retirement accounts (401k)
- Stocks/bonds/investments
- Loans against whole life policy
- Sale of personal property (car, boat, etc)

Notes

THE LOAN PROCESS

During the loan process, the borrower and Provident Credit Union are in direct contact. Your mortgage consultant will provide assistance and help to resolve any issues. Criteria such as property type, loan type, employment, credit history and down payment amount are used to approve and reject loans.



THE LOAN PROCESS

The Loan Application

The key to a smooth loan process is the initial interview with your Provident Credit Union Mortgage Consultant. At this time, Provident Credit Union obtains all pertinent documentation. Your realtor also opens escrow with the title company.

Ordering Documentation

Within 24 hours of application, Provident Credit Union begins to process your loan by requesting a credit report, an appraisal on the new property, verification of employment and funds required to close, preliminary title report, and any other necessary supporting documentation. Copies of all property reports including termite, roof, physical inspection and others.

Awaiting Documentation

In the first few weeks, Provident Credit Union begins to receive supporting documentation. As it arrives, Provident Credit Union's loan processors check the documents and request for any additional items that might be needed.

Loan Submission

Once all the necessary documentation has been received, the loan processor assembles the loan file and submits it to the Provident Credit Union mortgage underwriter for approval.

Loan Approval

Loan approval generally takes anywhere from 24 to 72 hours from loan submission. All parties are notified of the approval and any loan conditions which must be cleared before the loan can close. The loan approval is the beginning of the closing process.

Documents Are Drawn

One to three days after the loan approval, loan documents are completed and sent to the title company. The title company's escrow officer will make an appointment for the borrowers to sign the final documents. At this time, the members are informed about the amount of money they will need to bring to close the loan.

Funding

Once all parties have signed the loan documents, they are returned to Provident Credit Union. If all forms have been properly executed, the loan will be funded.

Recording

Upon receipt of the loan funds, the title company will record the legal documents necessary to transfer the property into the buyer's name. At the same time, the deed of trust is recorded to show the new loan on the property. Escrow is now closed and the member officially owns the home.

TYPES OF MORTGAGES

Loans and Features Offered at Provident Credit Union

Provident Credit Union has the perfect mortgage loan to fit your needs.

Our Mortgage Consultants are here to answer any questions about our mortgage products and the mortgage loan process.

Movable[®] Mortgages

This is an exclusive program offered only at Provident Credit Union. You can take your mortgage rate and balance with you when you move. Imagine the convenience and security this gives you.

Imagine you have a Provident Credit Union mortgage with a great rate, and you decide to move in a few years. Rates might be higher then when you decide to move and you still have years left with your original low rate. You can apply for a new Movable[®] mortgage and transfer your current rate and term to your next home!

Movable[®] mortgages are available on our 5/5, 7/23, and 10/10 First Mortgage Loans.

Single family/owner-occupied homes and second homes in California only. Other restrictions may apply. Membership required. Subject to final approval. Portable Mortgages available on loans funded after 5/1/04.

Fixed Rate Mortgages

This is the mortgage of choice for borrowers who do not expect to move and want payment predictability. With this loan you can lock in a fixed rate for the entire life of the loan. This is especially useful if you plan to stay in your home for a long time or are on a fixed income. We offer 10-year, 15-year, 20-year and 30-year fixed rate mortgages.

Fixed/Adjustable Mortgages

Two things are great about these: A lower rate than a fixed and a bit more payment predictability than a variable loan.

These 30 year mortgages only adjust in 5-year or 10-year increments:

- 5/5 30-Year Mortgage
- 10/10 30-Year Mortgage

This 30 year mortgage is fixed for the first 7 years then adjusts annually:

- 7/23 30-Year Mortgage

TYPES OF MORTGAGES

FAQ's About ARMs

- What is the index?

When used in a mortgage note or credit agreement, a financial index is the measurement used to decide how much the annual percentage rate will change at the beginning of each adjustment period. Generally, the index plus margin equals the new rate that will be charged, subject to any caps. Lenders use various financial index rates: London Interbank Offered Rate [(LIBOR and Treasury-Indexed ARMs (T-Bills)].

- What is the margin?

The number of percentage points the lender adds to or subtracts from the index rate to determine the interest rate.

- How long is the start rate in effect?

It depends on the initial fixed term of the loan applied for. Example: a 5/5 loan program has an start rate that is in effect for 5 years or 60 months.

- What is the fully indexed rate?

Generally, the index plus or minus margin equals the fully indexed rate unless it is constrained by any cap.

- What is the annual cap?

The annual cap is the maximum that a loan can adjust at each adjustment date. Example: if you have a 2%

annual cap your interest rate cannot adjust up or down more than 2% on any single adjustment.

- What is the lifetime cap?

The lifetime cap is the maximum that your interest rate can adjust over the start rate during the life of your loan. Example: If your start rate is 4.25% with a 6% lifetime cap your maximum rate is 10.25% (start rate + 6%).

- How often does the rate adjust?

Our 5/5 loan adjusts once every 5 years and is fixed at that level for the next 5 years. Our 7/23 loan adjusts at the end of the 7 year period and annually thereafter. Our 10/10 loan adjusts once every 10 years and is fixed at that level for the next 10 years.

Notes

PROVIDENT CREDIT UNION RELATIONSHIP BENEFITS

Being a Provident Credit Union member comes with its shares of perks. With your Provident Credit Union mortgage you automatically qualify for bonus rates on term share certificates and IRA accounts as well as a discounted rate off auto loans, equity loans and home equity lines of credit. Plus, all

members qualify for our always popular Super Reward Checking. This account includes high yield dividends and ATM fee rebates and you will never incur a monthly service charge or be required to keep a minimum balance. Ask us for details on these products and other member benefits.

Notes

PROVIDENT FEATURES AND MORTGAGE BENEFITS

Provident Credit Union Relationship Rewards

All of our products have their advantages. For example, with a Provident Credit Union mortgage that has an automatic payment, you may qualify for a Mortgage Checking account. It offers free unlimited surcharge rebates and unlimited point-of-sale rebates. Plus, if you have high balances in your Provident savings, you may receive additional relationship pricing. Ask us for details.

Ask About Other Mortgage Savings

Speak to one of our mortgage consultants for information about how you may qualify for other mortgage discounts.

Investment Properties

We have first mortgages on non-owner occupied residential properties. We also finance 1-4 unit properties and multi-unit apartment buildings.

New Online Features

Now you can fill out an online mortgage application 24/7 for quicker approvals. Be sure to check out our RateWatch—it lets you know when your ideal rate has been reached. Visit providentcu.org to apply.

PROVIDENT PLUS INSURANCE AGENCY

Our agency offers homeowner's, auto, and commercial insurance. To request a free quote go to:

providentcu.org/insure or
call us at (800) 310-0395



Insurance products are not deposits of Provident Credit Union and are not protected by the NCUA. They are not an obligation of or guaranteed by Provident Credit Union and may be subject to risk. Any insurance required as a condition of an extension of credit by Provident Credit Union need not be purchased from Provident Plus Insurance Agency and may be purchased from an agent or an insurance company of the customer's choice. Provident Plus Insurance Agency is a wholly-owned subsidiary of Provident Credit Union. Business conducted with Provident Plus Insurance Agency is separate and distinct from any business conducted with Provident Credit Union.

Notes

SUMMARY OF CLOSING COSTS

Sales Price \$

Mortgage \$

Loan Application Fee

Loan Origination Fee (points)

Tax Service Fee

Credit Report

Appraisal Fee

Hazard/Fire Insurance

P.M.I. (Private Mortgage Insurance)

Impound Accounts

CLTA Insurance (buyer's policy)

ALTA Title Insurance (lender's policy)

Recording Fees (documentation prep. & processing)

Inspections:

Termite

Roof

Structural

Sub Total:

Misc. Charges:

San Jose/Palo Alto (city transfer tax)

Mtn. View City (city transfer tax)

Other

Other

Sub Total:

Grand Total:

OWNING VS. RENTING

Costs of Owning		Costs of Renting	
Purchase Price			N/A
Down Payment			N/A
Loan Amount			N/A
Loan Term			N/A
Interest Rate			N/A
Monthly Payment		Monthly Rent	
Annual Mortgage Payments		Annual Rent	
Payment x 12 months =		Rent x 12 months =	
Tax Savings			
Loan Amount			N/A
X Interest Rate			N/A
Equals Annual Interest			N/A
Plus Annual Property Tax			N/A
Equals Total Deductions			N/A
Times Marginal Tax Bracket (28% Fed + 9% State)			N/A
Actual Tax Savings			0
Add Principal Reduction			N/A
Summary			
Annual Payments			N/A
Plus Taxes/Insurance			N/A
Minus Tax Savings			N/A
Minus Principal Paid			N/A
Equals Effective Cost of Ownership			N/A
Annual Savings			

REQUIREMENTS VS. DESIRES

What you need or what you want?

Here are some of the items to consider when making your choice.

Rooms	Require	Desire	Neutral	Don't Want
Bedrooms				
Bathrooms				
Separate Family Room				
Separate Dining Room				
Garage or Carport				
Appliances/ Systems				
Ovens and Range				
Refrigerator				
Garbage Disposal and Trash Compactor				
Dishwasher				
Washer and Dryer				
Heating and A/C				
Gas and/or Electric				
Sewer or Septic tank				
Miscellaneous				

REQUIREMENTS VS. DESIRES

Exterior	Require	Desire	Neutral	Don't Want
Type of Roof				
Type of Siding				
Fenced Yard				
Frontages				
Fireplace(s)				
Pool				
Hot Tub/Spa				
Deck and/or Patio				
Neighborhood				
Architectural Style				
Price Range				
Home Owners Assoc.				
Access to Parks & Open Space				
Commuting Time				
Work				
School				
Shopping				

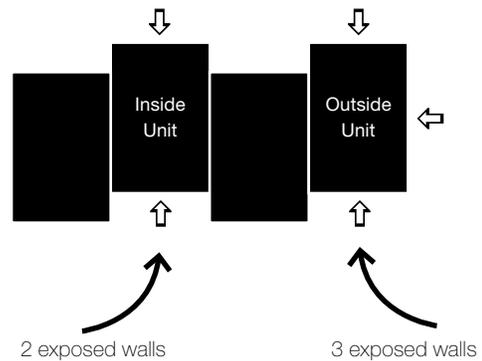
TYPES OF HOMES

Townhouses (Duplex, Row Houses, Garden Homes)

Townhouses share common walls which:

- Help to keep construction costs down
- Require less lot space
- Promote less energy usage
- Have less maintenance costs
- Have minimal yard care

A single building may have as few as two (duplex) and as many as ten units.



Single Family Homes Provide:

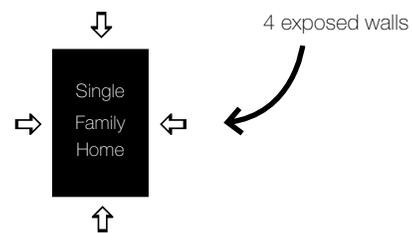
- Privacy
- Ability to expand
- Larger lot/yard

Zero Lot Line Homes

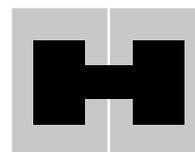
Zero lot line zoning allows placement of the building directly on the property line. Some town homes are classified as Zero lot line homes. Duet homes typically share a common wall between storage areas or garages.

Zero lot line zoning allows:

- Less Maintenance Costs
- Lower lot costs
- Lower utility costs



Zero lot line homes



Duet homes

DEVELOP YOUR PLAN FOR SUCCESS

1. Deciding that you want a new home will take:
 - Planning
 - Commitment
 - A willing attitude
 - Discipline
 - Sacrifice
2. Involve third parties of influence in the early stages of the process.
3. Understand the finances of ownership by working with your Provident Credit Union Mortgage Consultant. They will help you with:
 - Identifying down payment sources
 - Determining your buying power
 - Having a firm understanding of:
 - Financing choices
 - Closing costs
 - Taxes
4. Determine your housing needs and wants.
5. Learn to work with your real estate agent and set standards.
6. Establish goals. Be certain they are realistic and attainable. Re-evaluate them regularly with your realtor.
7. Implement your plan and keep it a high priority.

Notes

UNDERSTANDING YOUR CREDIT SCORE

A credit score provides a lender with the statistical probability that a borrower is likely to pay their debt. Most lenders use scores that come from one of the three major credit bureaus: Equifax, Experian and Trans Union.

Each credit record includes the following data, collected from creditors and public records:

- Identifying information (name, address, employer, Social Security Number, etc.)
- Debt and payment history on credit cards, student loans, consumer loans, car loans, etc.
- Previous collections
- Tax liens, judgements and bankruptcies
- Inquiries for new credit

The most common credit score is the FICO score. It is one of the credit scores issued by all three of the national credit bureaus.

The FICO score is generated by a mathematical formula (called a scoring model) developed by Fair, Isaac Company. To generate a FICO credit score, a credit bureau runs the data in a consumer's credit record through its FICO scoring model.

The FICO score ranks consumers on a scale of 300-850. Higher scores indicate lesser risk of default, and lower scores indicate greater risk of default.

Notes

UNDERSTANDING YOUR CREDIT SCORE

What makes up the FICO Score?

- 35% is based on payment history.
For example, the percentage that the payment is on time or delinquent. There is more weight on current payment history.
- 30% is capacity. Capacity is king.
- 15% is length of credit.
- 10% is accumulation of debt in the last 12 –18 months. That is the number of inquiries and opening dates.
- 10% is mix of credit. That is installment (raises) vs. revolving (lowers). The higher number of finance company loans, the lower the score.

What Actions Hurt the FICO Score?

- Missing payments, regardless of dollar amounts. It will take 24 months to restore credit with one late payment.
- Credit cards at their maximum credit limit.
- Closing credit cards out will lower available capacity.
- Shopping for credit excessively.
- Opening up numerous credit accounts in a short time period.
- Having more revolving loans vs. installment loans.
- Borrowing from finance companies.

What doesn't affect the FICO Score?

- Debt ratio.
- Income.
- Length of residence.
- Length of employment.

Approximate Credit Weight for Each Year

- 40% for the current 12 months.
- 30% is equal to 13–24 months.
- 20% for 25–36 months.
- 10% for 37 months plus.

How to Improve the FICO Score.

- Pay down credit cards.
- Do not close credit cards because capacity will decrease.
- Continue to make payments on time (older late payments will become less significant with time).
- Slow down opening new accounts.
- Acquire solid credit history with years of experience.

FREQUENTLY ASKED QUESTIONS

When should I get pre-approved?

This is the first step in home ownership. A Provident Credit Union Mortgage Consultant will assist you in determining how much house you qualify for before you start looking. They will analyze your income (varies), your assets (down payment, closing costs and reserves) and help you determine how much you are willing to spend or how much you can afford to spend.

When can I lock in my interest rate?

You can lock in your interest rate as soon as you have ratified contract of sale, we receive your application and your payment is received for the application deposit. The application deposit will be credited back to you at closing. If your loan does not close the deposit is non-refundable.

I am purchasing a home. When do you need the name of the Real Estate Agent?

We are in constant contact with your realtor throughout the loan process. Please provide your real estate agent's name and contact information as soon as you sign a contract to purchase. At times, we are in contact with your realtor before you decide on a home in order to discuss your pre-approved purchase amount and possible variations to your loan pre-approval. It is important for us to understand how much information regarding your qualifications you wish to share with your realtor. Typically we share only basic information about your loan approval but many agents inquire about borrower's credit scores, cash reserves and other details regarding your credit

profile. Please communicate any concerns you have with your Provident Credit Union Mortgage Consultant.

Should I pay discount points in exchange for a lower interest rate?

Discounted points are fees and one point is equivalent to one percent of the loan amount, due at loan closing. All things being equal, paying points will reduce your interest rate compared to a zero point option. Presuming the rates quoted for points and no points are fair and competitive, the determining factors in deciding to pay points or not include length of expected stay in the property, tolerance for interest rate risk, expected changes in future income, and consideration of immediate cash flow needs vs. possible future payment increases.

What is an appraisal and who completes it?

To determine the value of the property you are purchasing, an appraisal will be required. An appraisal report is an estimate of the property's market value. National standards govern the format, methodology, and acceptable calculation methods for appraisals and also specify certain appraiser qualifications required to perform appraisals on various property types and values. In addition, most states, including California, have licensing requirements for appraisers and require continuing education in the field to maintain their license.

The appraiser produces a written report for the lender and a copy is provided to the borrower at the loan closing. If

FREQUENTLY ASKED QUESTIONS

you would like to review it earlier, your Provident Credit Union Mortgage Consultant is happy to provide it to you. After the appraiser inspects the property, he/she will compare the qualities of your home with other homes that have sold recently in the same neighborhood. Using industry guidelines, the appraisal process weighs the major characteristics of recently sold similar properties (comparables), such as design, square footage, number of rooms, lot size, age, and degree and type of amenities, to the characteristics of the home you are purchasing or refinancing, and adjusts the value of your home in relation to the value of the comparables.

Will my overtime, commission, or bonus income be considered when evaluating my application?

In order for bonus, overtime, or commission income to be considered, you must have a history of receiving it and it must be likely to continue. We will usually need to obtain copies of your W-2 forms for the past two years, and one month's current pay stub to verify this type of income. If a major part of your income is from commission earnings, we may need to obtain copies of recent tax returns to evaluate the impact that business-related expenses have on commissions.

We average commission and bonus income over a two-year period to determine the amount that can be considered stable income and will be used for qualifying purposes.

If you have not been receiving bonus, overtime, or commission income for at least two years, it probably cannot be used when your loan is submitted for approval.

I am self-employed. How will you verify my income?

Generally, the income of self-employed borrowers is verified by obtaining complete copies of personal (and business, if applicable) federal tax returns for the recent two-year period. We will review and average the net income from self-employment that is on your tax returns to determine the income that can be used to qualify. We will not be able to consider any income that has not been reported on your tax returns. Typically, a two-year history of self-employment is necessary to consider your income stable and eligible for use in qualifying.

Generally, only income that is reported on your tax return is considered as eligible income when qualifying for a mortgage. Exceptions to this rule are non-taxable social security income, interest income from municipal bonds, and other legal forms of non-taxable income.

Some lenders may offer a stated income program, which means that you are qualified for a loan based on the income you report on the application, instead of what can be verified through pay-stubs, W-2 forms, or tax returns. Typically, these programs require larger down payments and come with higher interest rates

FREQUENTLY ASKED QUESTIONS

than fully documented mortgage loans. Provident Credit Union does not offer stated income programs at this time.

I am retired and my income is from pension or social security. What will I need to provide?

We will ask for copies of your recent pension check stubs or bank statement, to confirm your pension or retirement income is deposited directly into your credit union or bank account.

Sometimes it will also be necessary to verify this income will continue for at least three years because some pension or retirement plans do not provide income for life. This can usually be verified with a copy of your award letter. If you do not have an award letter, we can contact the source of this income directly for verification. If you are receiving tax-free income, such as social security earnings, we will consider the fact that taxes will not be deducted from this income when reviewing your loan request.

What will be required if I withdraw money from a 401(k) account for my down payment?

If you will be withdrawing funds from a 401(k) or retirement account to fund your down payment, we will probably ask you to provide evidence that you have funds available by providing a recent statement. We may also need to verify whether or not repayment is required. If repayment is required, it is not a problem. We will also consider it as a monthly payment when calculating your debt ratio.

What is a down payment?

The down payment is the amount of

cash required by a seller or lender prior to entering into a financing agreement. It is typically represented as a percentage of the purchase price. Mortgages are available with as little as 5% down.

Your down payment must be seasoned, which means the funds need to be on deposit for 60 days or longer. All lenders will want to verify exactly where your down payment came from (you will need a paper trail) and that the funds were in your account for at least 60 days. Any large deposits during the 60 day period will need to be explained and documented.

I am receiving a gift from someone else. Is this an acceptable source of my down payment?

Gifts are an acceptable source of down payment if the gift giver is related to you or your co-borrower. We will ask you for the name, address, and phone number of the gift giver, as well as the donor's relationship to you.

If your loan request is for more than 80% of the purchase price, we will verify that you have at least 5% of the property's value in your own funds.

Prior to closing, we will verify that the gift funds have been transferred to your account by obtaining a copy of your bank receipt or deposit slip to verify that you deposited the gift funds into your account.

Can I really borrow funds to use towards my down payment?

Yes, you can borrow funds to use as your down payment! However, any

FREQUENTLY ASKED QUESTIONS

funds that you borrow must be secured by an asset that you own. If you own something of value (e.g., a car or another home) they are perfectly acceptable sources of funds. If you are obtaining a loan, make sure to include the details of this loan in the appropriate section of the application.

What is mortgage insurance and when is it required?

First of all, let's make sure that we mean the same thing when we discuss "mortgage insurance." Mortgage insurance should not be confused with mortgage life insurance, which is designed to pay off a mortgage in the event of a borrower's death. Mortgage insurance makes it possible for you to buy a home with less than a 20% down payment by protecting the lender for the additional risk associated with a low down payment. Low down payment mortgages are possible because of mortgage insurance; it provides protection for a lender in case of default. Mortgage insurance also provides consumers the ability to buy more home than might be possible if a 20% down payment is required.

The mortgage insurance premium is based on the loan to value ratio, type of mortgage, amount of coverage required by the lender, and your credit score. Usually, the premium is included in your monthly payment. It may be possible to cancel private mortgage insurance in the future if your loan balance is reduced to a certain amount.

I don't know the exact value of some of my assets. Is that a problem?

The information we request regarding the value of your assets does not have to be exact. For example, when completing the section of the application on personal property, furniture, jewelry, etc., an estimated value of these assets is sufficient.

What, exactly, is an installment debt?

An installment debt is a loan upon which you make regularly scheduled payments (e.g. an auto loan, student loan or a debt consolidation loan).

In calculating your monthly obligations for qualifying, we do not include normal living expenses, (e.g. PG&E, or water) and we will exclude from your expenses any installment debts that have less than 10 months of payments remaining.

I've co-signed a loan for another person. Should I include that debt here?

Generally, a co-signed debt is considered when determining your qualifications for a mortgage. There are circumstances when co-signed obligations are not added to borrower's expenses. Talk to your Mortgage Consultant regarding co-signed obligations.

Do I need to include payments on income pertaining to child support, alimony, and maintenance information?

Estimate the monthly payment amount of any other obligations that are the responsibility of you or the co-borrower. These obligations might include alimony

FREQUENTLY ASKED QUESTIONS

or child support. If you or the co-borrower are required to pay alimony or child support or any type of court-ordered family maintenance, provide the monthly amount. If you or the co-borrower are the recipient of alimony or child support, and do not want that income used in qualifying for the loan, you are not obligated to disclose the receipt of these funds.

If my property's appraised value is greater than the purchase price can I use the difference towards my down payment?

Unfortunately, if you are purchasing a home, the loan-to-value is determined by taking the lower of the appraised value or the sales price.

What is a credit score and how will my credit score affect my application?

A credit score is one of the key components lenders use in the evaluation of mortgage applicants. Financial institutions have been using credit scores to evaluate mortgage, credit card and automobile loan applicants for many years.

Credit scores are based on a consumer's borrowing and re-payment habits. A credit score is your credit rating and is used by lenders to determine your credit worthiness. The higher your credit score, the better your credit rating. Credit scores are statistically proven to be a very effective indicator of a consumer's probability of repaying debt.

Some of the variables that affect credit scores are past payment history on

loans, the length of time credit accounts have been open, the type of credit that is used (i.e. credit unions and banks vs. finance companies) and the number of credit inquiries for new loans made in the recent past.

Credit scores used for mortgage loan decisions range from approximately 620 to 850. Generally, the higher your credit score, the lower the risk that your payments won't be paid as agreed.

Using credit scores to evaluate your credit history allows lenders to quickly and objectively evaluate the probability of repayment. However, there are many other factors that we consider when making loan decisions and we may not decline loans solely on the result of a negative credit score.

How will a past bankruptcy or foreclosure affect my ability to obtain a new mortgage?

If you had a bankruptcy or foreclosure in the past, it may affect your ability to qualify for a new mortgage. Unless the bankruptcy or foreclosure was caused by a situation beyond your control, we will generally require that two to seven (foreclosure) years have passed since the bankruptcy or foreclosure. It is also important that you have re-established an acceptable credit history with new loans or credit cards.

Are there any special requirements for condominiums?

The value and marketability of condominium properties is dependent on items that do not apply to single-

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family homes. Therefore, some additional steps must be taken to determine if condominiums meet our guidelines.

One of the most important factors is determining if the condominium project is complete. In many cases, it will be necessary for the project or at least the phase in which your unit is located, to be complete before we can provide financing. Until the project is complete, we cannot be certain the remaining units will be the same quality as the existing units. This could affect the marketability of your condominium.

In addition, we will consider the ratio of non-owner occupied units to owner-occupied units. This could also affect future marketability because many people prefer to live in a project occupied by owners rather than investors.

We will also carefully review the appraisal to insure it includes comparable sales of properties within the project, as well as outside the project. Our experience has found that using comparable sales from both the project and other projects gives us a better idea of the project's marketability.

Depending on the percentage of the property's value you wish to finance, other items may also need to be reviewed.

Do you provide financing for manufactured homes?

First of all, let's make sure we are talking about the same thing. We define

manufactured housing as housing units that are constructed off-site, and then transported to a permanent site. At the site, the units are completed and attached to the foundation. There are two main types of manufactured homes: a mobile home type and a modular home type. The mobile home type is built with a steel undercarriage that remains as a structural component and limits the structure to a single story. We do not provide financing for mobile homes. The modular home types do not have a steel undercarriage and can be pre-assembled, prefabricated, and sectional. These types of manufactured housing are factory-built in sections, and joined together on a permanent foundation.

In order to qualify for our loan programs the manufactured home must:

- Be legally classified and taxed as real property.
- Must be permanently affixed to a foundation and must assume characteristics of site-built housing.
- Must have been built after July 1976.
- All foundations, both perimeter and piers, must have footing that is located below the frost line.
- If state law requires anchors, they must be provided.

In addition, manufactured housing must be typical for the area where the home is located. The appraiser must be able to

FREQUENTLY ASKED QUESTIONS

provide detailed information about recent sales of similar homes on similar size lots in the neighborhood.

If you are financing a manufactured home that meets these requirements, complete the application indicating that your home is a single family home and discuss the particulars with the Mortgage Consultant with whom you are working.

Do you provide financing for properties on large tracts of land?

In most cases we are able to offer financing for homes on large tracts. What's most important is to determine if the size of your property is common for the area. The appraiser must be able to provide detailed information about recent sales of similar homes on similar size lots. If there is not sufficient data to support a particular value we may not be able to provide financing. It is also important that your property be residential in nature. If the property is a working farm or is used for any commercial purposes, we may not be able to grant a residential real estate loan. Please contact a Mortgage Consultant advisor if you have concerns about the acceptability of certain property types.

Is comparing the APR's (annual percentage rate) the best way to decide which lender has the best loan?

The Federal Truth in Lending Act requires all financial institutions and other entities involved in lending (mortgage brokers included) to disclose the cost

of credit in terms of the APR. The APR is designed to present the total cost of obtaining financing to consumers. The APR calculation includes the interest cost based on the note rate of the loan, and certain "pre-paid" finance charges that lenders collect in connection with providing the loan. These "other" costs, along with the interest charges, are amortized over the life of the loan and calculated to produce the APR. The Truth-In-Lending Act categorizes various lender fees as pre-paid finance charges or not, in an effort to give consumers the ability to compare various loan terms and fees effectively. It is not enough to simply look at the rate of one loan vs. another; consumers must also compare the fees including such things as loan points.

You can use the APR as a guideline to shop for loans but you should not depend solely on the APR in choosing a loan program that's best for you. Look at total fees, possible rate adjustments in the future if you are selecting an adjustable rate mortgage, and consider the length of time that you plan on having the mortgage.

Don't forget that the APR is an effective interest rate —not the actual rate. Your monthly payments will be based on the actual interest rate, the amount you borrow, and the term of your loan.

REAL ESTATE PRE-APPROVAL LOAN APPLICATION CHECKLIST AND INSTRUCTIONS



The first step to getting pre-approved through Provident Credit Union is to complete an application.

You can complete an application in the following ways:

1. Online: Go online to the Provident website:
<https://accountmanager.providentcu.org/index.asp?i=mortgageApply>
2. Call Mortgage Consultant: Call your Mortgage Consultant directly and we can complete the application over the phone.
3. Visit Branch: Go into any PCU branch and they can help you fill out the application. Mention the Mortgage Consultant you are working with.

In addition to the application, we will need the following documents:

Assets

Required for all applicants:

- Copy of most recent two months of statements or most recent quarterly statements for all liquid assets listed on your loan application (must be sufficient to cover down payment, closing costs and reserves).

Income

Required from SALARIED APPLICANTS:

- Copy of two most recent pay stubs (do not send originals)
- Copy of your W-2s from the last two years (do not send originals)

Required from applicants who are SELF-EMPLOYED OR RECEIVING INCOME FROM COMMISSIONS, BONUSES, RENTALS, PARTNERSHIPS, PENSIONS, INTEREST, DIVIDENDS OR OTHER SOURCES:

- Copy of signed Federal Tax Returns (1040s) from the last two years with all schedules (do not send originals)

Required from RETIRED APPLICANTS:

- Social Security Award Letter
- Pension Award Letter
- IRA or 401K Distribution Agreements

HOME OWNERS AND HOME BUYERS WORKSHOP FEEDBACK



Name: _____ Date: _____

Dear Seminar Attendees

Please take a moment to complete the questions below and turn in at the end of this workshop.

1. Are you a member of Provident Credit Union? Yes No

2. How did you hear about the seminar?
 - A friend or relative told me
 - An employee of Provident invited me
 - I saw a sign or flyer in a Provident Community Branch
 - I received a direct mail from Provident
 - Other _____

3. Overall what did you think about

	Excellent			Poor	
The speaker's presentation style:	1	2	3	4	5
The speaker's knowledge of the topic:	1	2	3	4	5
The visual aids/slides/handouts:	1	2	3	4	5

4. Did the seminar meet your expectations? Yes No
If no, please explain: _____

5. Are there any topics you'd like to see Provident present other than what was covered? If?
 Yes No
If yes, please explain briefly: _____

6. What topic(s) did you find most useful?

WIN A FREE APPRAISAL WHEN YOU APPLY FOR A MORTGAGE WITH PROVIDENT (A \$450 VALUE)



Name: _____ Date: _____

Address: _____

Phone (Daytime) _____ (Evening) _____

E-Mail Address: _____

Company _____ Work Phone _____

How did you hear about the seminar?

- Direct mail piece Provident website Family/Friends
 Provident branch Provident employee Other _____

Are you a member of Provident Credit Union? YES NO

If yes, which branch do you use? _____

YES! I'd like to be contacted by a Provident Mortgage Consultant.

The most convenient time(s) for a private consultation with a Provident mortgage professional is

The most convenient time(s) for a home buying consultation with a realtor is

Do you know of anyone who would be interested in attending this seminar?

Referral: _____

Provident Credit Union
(800) 632-4600
providentcu.org