THE ULTIMATE HOME BUYING TOOL KIT

BROUGHT TO YOU BY

FAIRWAY® HOME MORTGAGE | HERITAGE GROUP

Purchasing a home is often the largest, and most rewarding, investment many of us will ever make.

Unfortunately, there is also too much uncertainty surrounding the home buying process. This often scares potential home buyers away from an otherwise very beneficial opportunity. This Ultimate Home Buying Tool Kit was designed to provide you with more insight into the home buying process, and help you feel more informed and more comfortable with the home buying decision.

- Section 1 | Buy vs. Rent Analysis
- Section 2 | Top 5 Misconceptions About Home Buying
- Section 3 | How Much Can I Afford?
- Section 4 | 5 Ways to Get Help with Your Down Payment
- Section 5 | The Pros and Cons of Each Mortgage Type
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- Section 7 | Dos and Don'ts of the Mortgage Approval Process
- Section 8 | 5 Tips For Making Your Best Offer
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SECTION 1

BUY VS. RENT

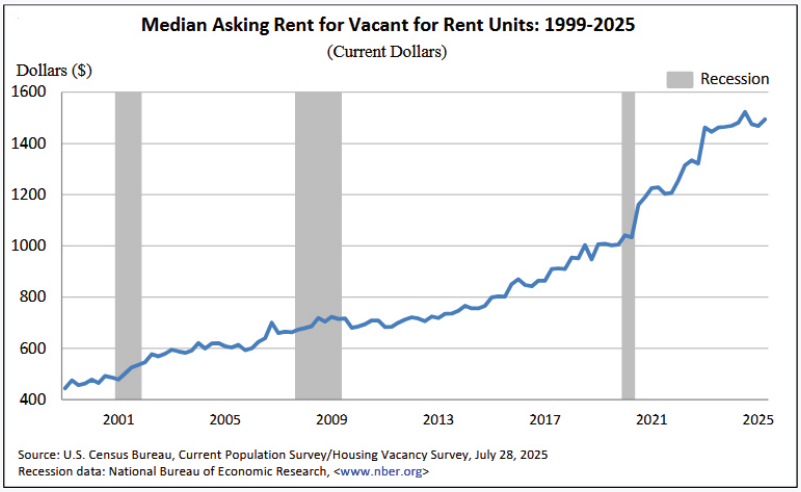
analysis

Renting, but thinking of buying?

Here are three reasons now is the best time.

1. Homeownership is a more stable long-term investment..

Escape rising rents by purchasing a home and locking in your monthly mortgage payment.



2. Renting earns nothing.

OWNING

Investing your money into a mortgage goes to build home equity and wealth.

RENTING

You might as well throw your money into the trash. You will never receive value from it.

3. The average homeowner's net worth is roughly 40x that of a renter.

Homeowner

$300,000
in net worth

Monthly Payment: $1,626.66*
30 Year Mortgage Interest
Rate: 5.25% (5.41% APR)
Loan Amount: $300,000

Renter

$8,000
in net worth

Monthly Payment: $1,626.
30 Year Mortgage Interest
Rate: [illegible] (5.749% APR)
Loan Amount: $263,500

SECTION 2

THE TOP 5 MISCONCEPTIONS ABOUT HOME BUYING

Don't let the fear of buying a home keep you from a fantastic opportunity to save money and build wealth. Check out some of the top myths that intimidate most potential home buyers.

myth

I can't afford the monthly payment increase.

fact

If you cannot afford a payment increase, then definitely do not purchase a home that would result in an increase for you. However, you might be surprised to know just how much you can save with the same monthly payment. Plus you generate equity (a.k.a. wealth) too!

RENTING		OWNING ($300,000 Home)	
Monthly Rent:	$2,600	Monthly House Payment:	$2,600[1]
Annual Rate Increase:	3% (estimated)	Annual Home Appreciation:	3-4% (estimated)
Tax Deductions:	No	Tax Deductions:	Yes *real estate taxes may be deducted. Check with CPA
Yearly Rent Increase:	$78/month	Yearly Payment Increase:	$0/month
Cost after 5 years:	$159,300	Cost after 5 years:	$156,000
Equity/Wealth Gained:	$0	Equity/Wealth Gained:	$70,861

[1] Example scenario assumes 5% down payment, 6.5% interest rate (6.66%APR), 2.3% property taxes, and 0.50% homeowners insurance included in payment on a 30 year fixed rate mortgage.

myth

It's too complicated.

fact

You're right. It is complicated...if you go at it alone. But not with the experts at Fairway Home Mortgage - The Heritage Group. We will not only walk you through the process hand-in-hand, but we just make the whole process simpler. Just answer a few questions, provide some requested documentation (tax returns, pay stubs, driver's license, etc.), and you will be well on your way. From beginning to end, we're working for you every step of the way to eliminate as much stress and confusion as possible.

SECTION 2

THE TOP 5 MISCONCEPTIONS ABOUT HOME BUYING

continued

myth

Home repairs are too expensive.

fact

Home repairs and maintenance are an important part of owning a home. However, the costs are minimal compared to the overall savings. While there are the occasional big expenses like buying a new A/C unit every 15-20 years, it is more common to fix minor things like touch up paint, weather stripping, changing the batteries in the smoke detectors, and other small things that end up costing hundreds each year, not thousands. Considering the net cost of renting versus buying, are you **really** getting your money's worth in repairs and maintenance while renting?

myth

I don't have enough for a down payment/ closing costs.

fact

Long gone are the days when 20% down payment was necessary to purchase a home. Although there are benefits for having a larger down payment, most down payment minimums are between 3% and 5%. For homes in certain areas the down payment could be as low as 0%. Veterans, Active Duty, and Reserves personnel also receive great mortgage benefits such as zero down payment, low interest rate, low monthly insurance, and more. There are even down payment and closing costs assistance programs available depending on your occupation, location, and/or income.

So in reality, the entry costs for owning a home could be much lower than you think. Of course availability of these programs have restrictions, so it is very important that you work with a mortgage product expert that knows ALL the options that are available and can lead you to the best loan program that's right for you.

myth

My credit is not good enough.

fact

While this may be true, don't be so sure without a second look. There are a multitude of loan programs out there and some allow down to a credit score of 600. Some even allow for no credit scores at all. Is the reason for your low score due to a medical collection(s) from when you hit a rough patch that has since passed? You may still qualify for an FHA loan that is more lenient on those circumstances than a Conventional program might be. The point is, don't give up without having one of the mortgage experts at Fairway Home Mortgage - The Heritage Group look it over first. Even if you don't qualify right now, we can review your credit with you and provide helpful tips to improve your score and put you on a plan to be able to qualify in the near future.
While we're on the subject of credit scores, don't rely on the "free" credit reports you receive from certain online websites. A mortgage professional can run a full tri-merge report from all three bureaus that monitor and report credit (Experian, Equifax, Transunion) to give you the full picture. These full reports are what lenders actually use to base your mortgage qualification upon, whereas the "free" scores websites typically use a different scoring model not considered by lenders.

SECTION 3

How Much Can You Afford?

Here are some helpful hints and tools to help you decide on what mortgage loan amount you can comfortably afford.

When looking for a new home, you should base your price range on the monthly mortgage payment that you are comfortable with paying...**NOT** the loan amount you can receive. Are you saving for something special? Do you have new expenses on the way? What if you lost your job? At what amount could your family help pick up the slack temporarily? How much extra income do you want to have per month?

These, and questions like them, are very important to consider when purchasing a new home. Look at your family budget. You don't want to have so much money tied up in making the mortgage payment that you cannot afford the other expenses of life.

Only a true mortgage expert can help guide to the best mortgage loan based on your individual needs and budget. However, if you are curious about getting a close estimate, try our "How Much Can I Afford?" calculator.

To use our affordability calculator, vist:

LindaDavidsonMortgageExpert.com/HowMuch

SECTION 3

How Much Can You Afford?
WHAT TO BUDGET FOR

It can feel intimidating trying to find how much you need to save for your home buying efforts. Below are three things experts say you should plan for to increase your level of success.

1. Down Payment

National Association of Realtors, states that, *"One of the biggest misconceptions among housing consumers i what the typical down payment is and what amount is needed to enter homeownership..."*

This cost is likely at the forefront of your mind. You may have heard, like so many others do, that you should set aside 20% of the home purchase price, but that's not always the case. You might actually be able put as little down as 3.5% (or even 0%) in some scenarios. The next section provides even more info on assistance buildling this important fund.

2. Earnest Money Deposit (EMD)

Earnest money deposit (EMD) is common in today's highly competitive market. While not required, it is a very vaulable tool to have as a buyer when attempting a show of good faith to the seller to prove you are serious about your offer. Upon closing, it would generally be applied to your closing costs or even your down payment. The amount can vary by state and situation but be prepared to save 1-2% of the home's purchase price.

3. Closing Costs

The *Federal Trade Commision* (FTC) defines closing costs as, *"The upfront fees charged in connection with a mortgage loan transaction. . . . generally including, but not limited to a loan origination fee, title examination and insurance, survey, attorney's fee, and prepaid items, such as escrow deposits for taxes and insurance."*

NAR says you should budget 2-5% of the home's purchase price and even *Freddie Mac* says not to overlook this important cost by saing, *"it [down payment] is no the only cost and it's critical you understand all your expenses before diving in. The more prepared you are... the smoother your homebuying journey will be."*

SECTION 4

5 WAYS TO GET HELP WITH YOUR DOWN PAYMENT

Down payment and closing costs keeping you from purchasing your dream home? Here are some ways to help you get the funds you need.

1. Down Payment Assistance Programs

Texas has many favorable down payment assistance (DPA) programs. Some provide up to 6% of the loan amount to pay for down payment and closing costs, while another reduces the loan amount by $15,000. There are even special programs for military veterans, police officers, firefighters, EMT's, teachers, nurses, and other local heroes. Certain cities also provide their own special bonds and grants to aide home buyers. With so many programs, and the restrictions that come with them, it is extremely important to work with a mortgage product expert like the ones at Fairway Home Mortgage - The Heritage Group who can help you find the best option that fits your needs.

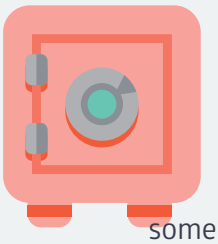
2. Premium Pricing

When a lender quotes a rate it is typically at what is known as "par". This essentially means that it is the lowest rate possible without costing anything extra. However, a lender can quote a higher rate and receive a rebate to give back to the buyer to help with closing costs. For example, a 4.5% interest rate may be at par, but a 5% interest rate might provide a 1% rebate. For a $100,000 loan, that's $1,000 that can be used to pay closing costs. The difference in monthly payment on that same $100,000 loan with the 0.50% higher rate is about $30 per month.

Be careful! Though this option will help you with your closing costs, it will cost you more in interest over the long run. In general, if you plan to live in the home for less than 7 years then premium pricing may not be a bad idea. However, if you plan to stay longer there are better options you should really look at first. Ask your mortgage expert at Fairway Home Mortgage - The Heritage Group for details and advice.

3. Gifts from Family

In many cases, a family member can gift you money in order to help with your down payment and closing costs. But before you run to your parents, grandparents, or that rich uncle, understand that there are restrictions, and you need to check with your mortgage expert first. FHA, USDA, and VA loan programs handle gift funds differently than Conventional loan programs. For example, while a close friend with a clearly defined and documented interest in you purchasing a home might be able to gift you monies on an FHA transaction, Conventional does not allow it at all. Even the definition of fiancé or domestic partner differs by loan program type. No matter what, though, the donor or "gifter" can never be affiliated with the builder, developer, real estate agent, or any other interested party in the transaction unless they are a family member. Gifts are never allowed on investment property transactions either.



4. Personal Property

If you are a first time home buyer, then it is highly likely that you do not have net proceeds from the sale of a home to use for down payment. So instead, some home buyers choose to leverage what they already own to get the extra cash for a down payment on a new mortgage loan.

For example, if you own a car you may choose to get a title loan for what the car is worth, but the car is collateral. Because the loan is backed by something of actual value (collateral), it is referred to as a "collateralized loan" or "secured loan". The new payments you must make on the collateralized loan must be considered in your qualification for the mortgage loan. This may significantly reduce the mortgage amount you could qualify for, or even prevent you from being qualified at all.

Instead of taking out a loan on your personal property, you may choose to sell it outright. While this is generally an acceptable source of funds, there is specific documentation that will be required. With all these lending rules it is so important to talk to a true mortgage product specialist like the ones at Fairway Home Mortgage - The Heritage Group before considering any of these options.

5. Liquidating Personal Assets

With participation in investment vehicles such as stocks, bonds, mutual funds, ETF's, IRA's, 401k's, etc. so prevalent today it is not uncommon for a borrower to have much of their hard earned savings stashed away in these types of accounts. If you're in the same boat, don't worry. You can choose to liquidate some of these assets and turn it into cash for a down payment. As usual, however, there is specific documentation needed to be able to use these funds so make sure you talk to one of our mortgage experts first to make sure it is done correctly.

SECTION 5

THE PROS AND CONS OF MORTGAGE TYPES

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PROS

CONS

1. FHA Loans

- 3.5% down payment minimum.
- Seller is allowed to pay all of the closing cost and prepaid (but not the down payment) up to 6% of the sales price as part of the contract.
- Assumable loan (which could be valuable if you sell your home when interest rates are much higher than current market.)
- Interest rates will typically be less than a Conventional Loan.
- More flexible in credit and past derogatory (i.e., foreclosure, tax liens, collections, etc.).
- Only loan that typically allows a non-occupying co-signer.

- Lifetime monthly MIP (unless putting down 10% or more).
- Also has an upfront MIP fee that is rolled into the note.
- Monthly MIP is typically higher than a Conventional Loan.

2. Conventional Loans

- PMI will drop off at 20% equity. This will typically take around 9.25 years unless more principal is paid than required.
- Minimum 3% down payment.
- Typically lower monthly PMI than FHA.
- Only loan that allows financing of an investment property.

- Rates are typically around .25–.75 higher than FHA, VA or USDA depending on the credit score (There's Conventional adjustments to the rate based off the credit score. These aren't lender adjustments, they're Fannie or Freddie adjustments which insures Conventional Loans).
- Seller can only pay up to 3% of the sales price toward closing costs and prepaids unless the borrower is putting 10% or more down (then 6% seller contribution is allowed).
- Stricter guidelines on ratios and credit.

PROS continued

CONS continued

3. USDA Loans

- Zero (0) down payment.
- Seller is allowed to pay all of the closing cost and prepaids up to 6% of the sales price as part of the negotiations of the contract.
- Interest rates will typically be lower for USDA Loans than for a Conventional Loan.

- Lifetime monthly MIP (called a guarantee fee).
- Also has an upfront guarantee fee of 2.00 that is rolled into the note.
- Financing/program available only for specific rural areas. You can check eligibility on the USDA website.
- Strict income limitation guidelines.
- Takes typically 1- 3 week(s) longer to close than a standard loan as it is underwritten twice - once by the lender and once directly at USDA.
- Stricter guidelines on ratios and credit.

4. VA Loans

- Zero (0) down payment.
- Seller is allowed to pay all of the closing cost and prepaid up to 4% of the sales price + Title Policy + Survey + around $1,915 in VA non-allowables as part of the negotiations of the contract.
- Interest rates will typically be lower for VA Loans than for a Conventional Loan.

- Upfront Funding Fee of 2.15 if never used your VA eligibility to purchase your home, or 3.3 if if have used it before. (If borrower has a Service Connected Disability no Upfront Funding Fee is required.)
- The Funding Fee is rolled into the note.
- VA chooses the appraiser.
- Seller or Lender needs to agree to pay the VA non-allowables.
- Only loan type that requires a clear WDI (Termite) report.

SECTION 6

THE MORTGAGE

process

The loan process can be difficult and confusing, but that doesn't mean you have to experience it. At Fairway Home Mortgage - The Heritage Group, our team of mortgage experts guide you through the complexities of the loan process so that you can focus on other things - like finding and moving into your new dream home. However, for those that are curious to know the process, the following steps are what you can expect as we help you purchase that new home.

start here

1. Call and Schedule

Schedule a time to speak with one of our mortgage experts.

2. Consultation

After speaking with one of our mortgage experts, you will be sent a "HOMEwork List" of items needed to determine your loan approval.

3. Pre-Approval

Once you've been pre-approved, you and your realtor can begin searching for your new home!

4. Home Shopping

Now the fun begins! With the help of your realtor, search for the home that fits both your needs and your budget.

5. Contract & Processing

Once your offer is accepted by the seller, a contract is executed. A processor will begin "processing" your mortgage loan by coordinating with the 10+ companies involved in the mortgage transaction to prepare your loan for closing.

continued on next page

THE MORTGAGE PROCESS

continued

6. Inspection

While your loan is being processed, we HIGHLY recommend having your new home inspected. A few hundred dollars now can save you thousands in the future.

cont'd

6

7. Underwriting

Once your processor has collected and prepared all the necessary documents your file is sent to the underwriter. They will verify and confirm that the loan meets all the specific guidelins and give final approval.

7

8. Clear to Close

When the underwriter approves the loan you are clear to close! It's "game time," and all of the "players" come together in a team effort to close the loan and get you into your new home!

8

9. Closing Day

The day is finally here. Just arrive at the title company and sign the documents. Make sure you bring a CASHIER'S CHECK for the amount we tell you, and your driver's license!

9

10

10. You are a Home Owner!

After the closing documents are signed & sent for review, the loan will be "funded" and your Realtor® will hand you the keys to your new home!

11

11. Pass it On

If you are overjoyed with your experience - and we know you will be - allow us to provide the same benefit to your friends and family. The finest compliment we can receive is a referral of someone else we might be able to help.

SECTION 7

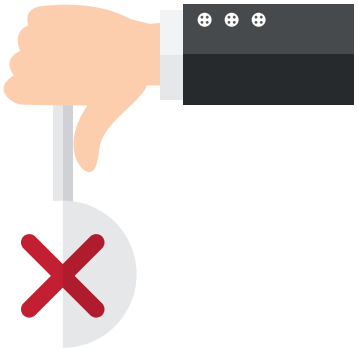
DOS AND DON'TS OF THE MORTGAGE

APPROVAL PROCESS

DOS

- **DO** keep originals of all pay stubs, bank statements, and other important financial documentation.
- **DO** provide all documentation for the sale of your current home (i.e., sales contract, closing statement employer relocation/ buyout program).
- **DO** follow through quickly if our team contacts you for information or documentation.
- **DO** notify us if you plan to receive gift funds.
- **DO** notify us of any employment changes (i.e., change of employer; recent raise/ promotion; change of pay status such as salary to commission, etc.).
- **DO** contact us if there's a major change in a monthly credit bill (i.e., sold a vehicle, paid off a large credit card or installment loan, had a large purchase transaction, etc).
- **DO** enjoy your home purchase experience.

DON'TS



- **DON'T** have your credit pulled numerous times (i.e., apply for a credit card, loans, co-signing, etc.).
- **DON'T** open or increase any liabilities (i.e., credit card signature loans, etc.) during the loan process. Check with your mortgage expert for any documentation that will be required and what impact this would have on your mortgage approval.
- **DON'T** make major purchases during, or prior to, closing (i.e. new car, furniture, appliances, electronics) because this could impact your qualification ratios. Please confer with your mortgage expert first.
- **DON'T** obtain and/or deposit sums of money over 1% of the loan amount (unless it's a normal paycheck) without notifying your mortgage expert. Guidelines require documentation as to the source of these funds (i.e. copy of bonus check, tax refund, insurance settlement, gift letter with copy of check, deposit slips, etc).
- **DON'T** open, close, or transfer any asset accounts without inquiring about the required proper documentation. (Example: If you transfer all the funds in your stock account to your savings account, documentation is required.)
- **DON'T** change jobs/employers without inquiring about the impact on your mortgage loan approval.
- **DON'T** obtain cash advances off your credit card(s).

SECTION 8

FIVE TIPS FOR MAKING YOUR BEST OFFER

As a buyer, the key to winning your dream home is to lead with a strong offer. **You can craft your best possible offer by following these 5 tips below.**

1. Know Your Budget

Knowing your budget is critical to success. Your frist step with a loan officer is a pre-approval on a loan, and this will indicate how much you will be allowed to borrow for your mortgage.

According to Freddie Mac, *"By having a pre-approval letter from your lender, you're telling the seller that you're a serious buyer,... **In a true bidding war, your offer will likely get dropped if you don't already have one."***

A pre-approval letter shows the seller you are serious and can give you the competitive edge by allowing you to act more quickly when you've found the perfect home.

2. Be Ready To Move Fast

In today's market, speed is a very important factor that increases your competitive edge. Flexibility and quickness with a skilled agent will help you succeed with your best offer.

SECTION 8

FIVE TIPS FOR MAKING YOUR BEST OFFER

3. Lean on a Real Estate Professional

Rely on a trusted real estate advisor for expert assistance in the local market. Your agent knows how to cater to a seller's needs and how to make your offer stand out.

According to *Freddie Mac*, "The success of your homebuying journey largely depends on the company you keep... ***Be sure to select experienced, trusted professionals*** who will help you make informed decisions and avoid any pitfalls."

4. Make a Strong, but Fair Offer

Offering below or even at a home's asking price may not be enough. Your agent can help you understand the true value of homes on the mark today. Make sure you and your agent craft your best offer around current sales trends in the area to stay one step ahead of the competition.

5. Be a Flexible Negotiator

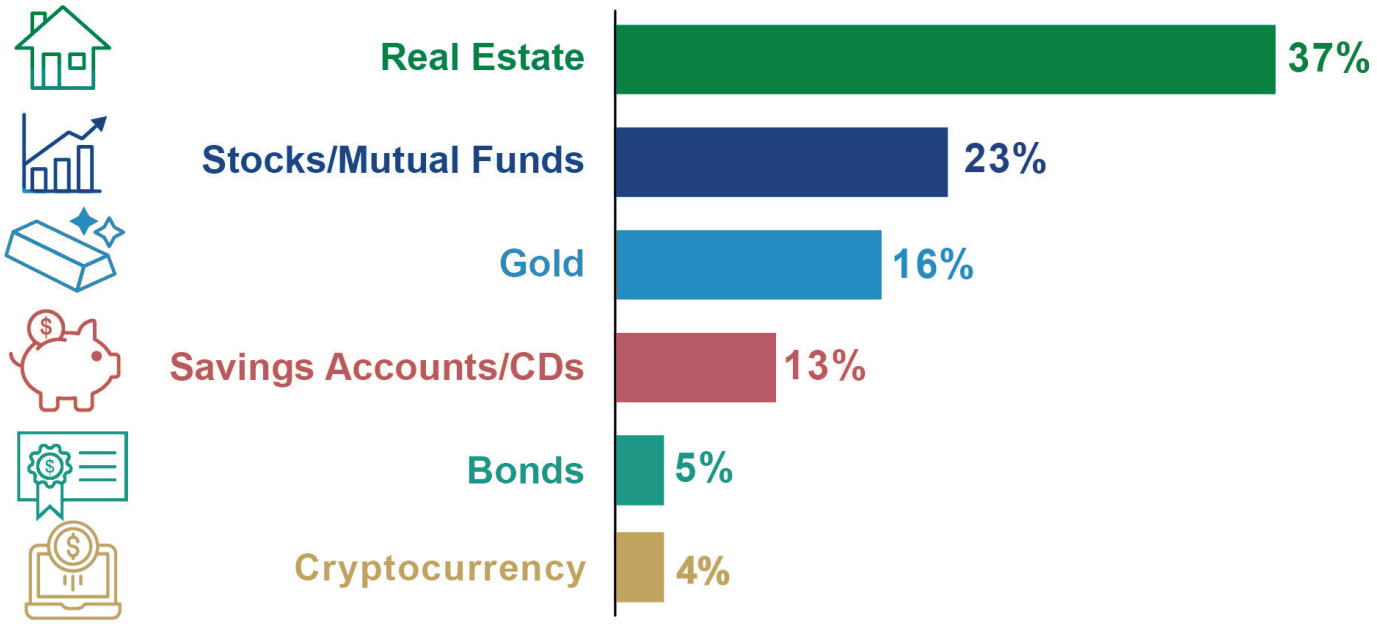
When putting together an offer, your agent can help you understand contract contingencies (negotiable and non-negotiable conditions). Don't pass on a home inspection, but utilize your agents expertise to come to an agreement that still meets the needs of both you and the seller.

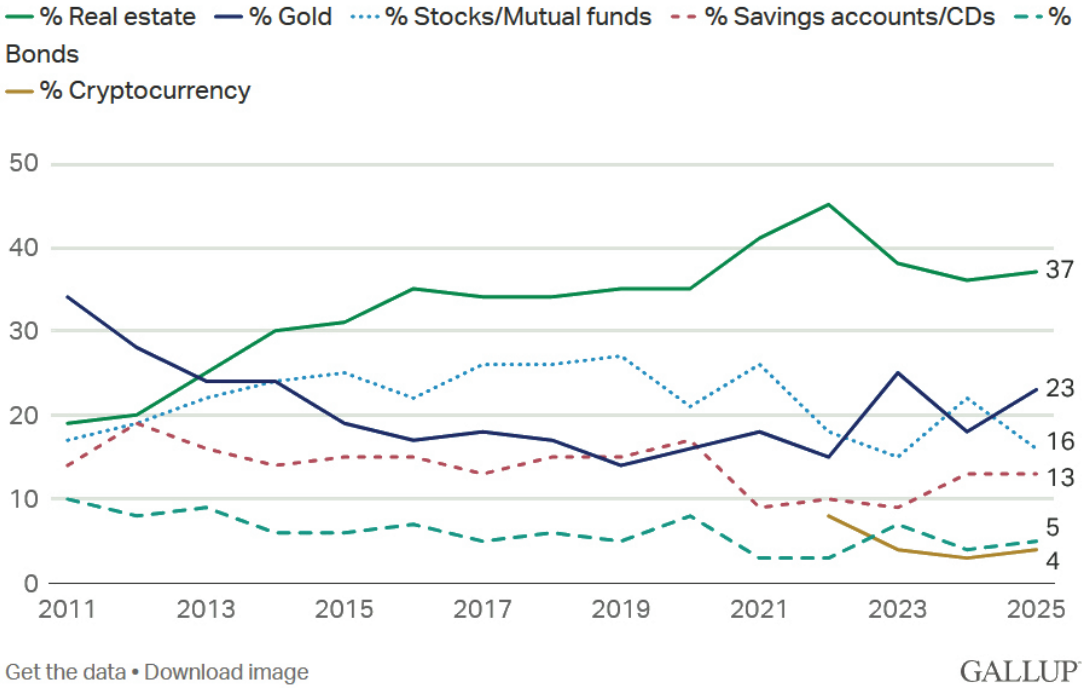
According to *Freddie Mac*, "A home inspection contingency gives you the opportunity to have the entire home you'd like to purchase examined by a professional before you close on your contract. ***Without this contingency, you could be contracted on a house you can't afford to fix.***"

WHY WORK WITH US?
REAL ESTATE BUILDS WEALTH

According to Gallup polls, real estate has been rated as the best long-term investment for the last decade.

You're not just buying a place to call home, you're investing in your future!





SECTION 9

WHY WORK WITH US?

If you want the best home loan, work with the best home loan experts.

Innovative Loan Programs

From loan programs that allow down to 580 credit scores[1], or even no credit scores at all[1], to programs that offer up to 6% of the loan amount for down payment and closing costs[1], and even zero down programs - we offer a wider range of financing options than other lenders to help you purchase your new home.

[1]Restrictions apply. Ask your mortgage expert.

Quick, Easy, Effortless Transactions

Super Smooth Closings

Our in-house processing, underwriting, closing, and funding work together seamlessly to ensure a smooth closing; often much earlier than the estimated closing date. With other lenders, obtaining a home loan can become very confusing. With Fairway Home Mortgage - The Heritage Group you have a group of mortgage experts taking care of you so you can focus on the "fun" parts of purchasing a home.

Industry Leading Mortgage Experts

Whether it's Conventional, VA, FHA, USDA, or local bond programs, we have the mortgage expertise to make sure your loan closes; and on time! In fact, The Heritage Group has ranked nationally in the top 10 according to the Scotsman Guide and has been voted **Best Area Mortgage Team 28years in a row!**

SECTION 10

How to Get Started

Ready to get started? Starting down the path to home ownership is simple. Just contact me today and I will walk you through it.

Call: **(972) 278-3400**

Email: **Linda.Davidson@FairwayMC.com**

Apply Online: **LindaDavidsonMortgageExpert.com/Apply**

FAIRWAY® HOME MORTGAGE | HERITAGE GROUP

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