



First-Time Homebuyer

→
Roadmap

**People's United
Bank**[®]

NMLS# 464603

What know-how can do[®]

Let the Journey Begin!

Know-how turns someday into moving day.

Buying your first home can be exciting and stressful all at the same time. At People's United Bank our experienced mortgage experts are here to help you every step of the way during this process and want to ensure that you find the loan that suits your needs best.

This First-Time Homebuyer Roadmap will provide you with the information you need to make informed decisions during the home buying process. We hope you find it helpful. When you're ready, our mortgage experts are here to assist you.

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What know-how can do®





What know-how can do®

Founded in 1842, People's United Bank (NASDAQ : PBCT) is a diversified financial services company that provides a broad array of consumer, commercial, investment, insurance, wealth management and trust services.

Our over 5,000 employees focus on providing an extraordinary customer experience through a network of branches located in Connecticut, New York, Massachusetts, Vermont, New Hampshire and Maine. In addition, seven-day banking is available inside Stop & Shop locations across Connecticut and New York.

Our story reflects not only our banking history, but also our fundamental principles. At People's United Bank, we believe that, by offering empathy and expertise to our customers, giving back as partners in our communities, and valuing the know-how of our employees, we all succeed together.

Come discover what our **know-how** can do for you!



Visit a Branch



peoples.com



855-782-LEND

Choosing to purchase your first home is an important decision.

To learn more about buying a home, many local non-profit agencies throughout your community offer a First-Time Homebuyer course where you'll receive more detailed information about what it takes to purchase your own home. These agencies provide both one-to-one interviewing and group seminars. Be sure to attend a certified education program which ensures that the information provided to you is accurate and current.

The homebuyer resources listed below can assist you in locating non-profit agencies offering certified programs near you.



First-time Homebuyer Classes & Resources

NATIONAL

National Foundation for Credit Counseling
nfcc.org

A large national non-profit credit counseling network that is dedicated to helping low income households.

NeighborWorks America
nw.org

A nationwide network of community development and affordable-housing organizations with over 240 members.

The US Department of Housing and Urban Development (HUD)
Hud.gov/offices/hsg/sfh/hcc/hcs.cfm

In charge of certifying qualifying non-profit home ownership programs. Ensures these programs are accurate and consistent.

MASSACHUSETTS

Citizens' Housing and Planning Association (CHAPA)
chapa.org

A non-profit umbrella organization for affordable housing and community development activities in Massachusetts.

CONNECTICUT

Connecticut Housing Finance Agency (CHFA)
chfa.org

A leader in creating affordable housing opportunities for families and individuals in Connecticut.

NEW YORK

The State of New York Mortgage Agency (SONYMA)
nyshcr.org

Offers five mortgage programs to assist first-time homebuyers with the purchase of a home in New York State.

The New York Mortgage Coalition (NYMC)
nymc.org

A non-profit collaboration of financial institutions and community housing agencies focused on expanding homeownership opportunities to low income and minority individuals.

Is Homeownership Right For You?

Before purchasing a home, it is important to know the benefits of renting vs. buying a home to ensure you make the choice that is right for you.

FLEXIBILITY:

Renting a home gives you time to discover communities and neighborhoods for your family. Also, since you are not committed to homeownership, you can adapt to a career or income change more easily.

NO MAINTENANCE COSTS:

When you rent a property, the landlord is generally responsible for all maintenance and repair bills.

Reasons to Rent

FIXED RENT AMOUNT:

Since rent amounts are usually fixed for the span of the lease agreement, you know the amount of money you owe every month. This allows you to budget your money more efficiently than you would if you were a homeowner paying property taxes that tend to fluctuate yearly.

DELINQUENT CREDIT:

If you have poor credit, you can begin to build a positive credit history by paying your rent on time each month. A history of on-time rental payments can improve your borrowing ability when it's time to qualify for a mortgage.

EQUITY:

When owning your own home, you can increase your degree of ownership with every mortgage payment. If the equity of your home grows greater than 20%, you may be able to borrow against your equity in order to pay for a major purchase in the future.

DECISION-MAKING CONTROL:

You have greater flexibility to improve your home and make changes that will improve the value of your home.

Reasons to Buy

TAX DEDUCTIONS:

If you own your own home, you may be able deduct your mortgage interest and property taxes. (Please consult your tax advisor.)

CERTAINTY:

You don't have to worry about your lease ending and do not have to worry about the actions of your landlord.



Determining what you can afford is a key step in the home buying process.

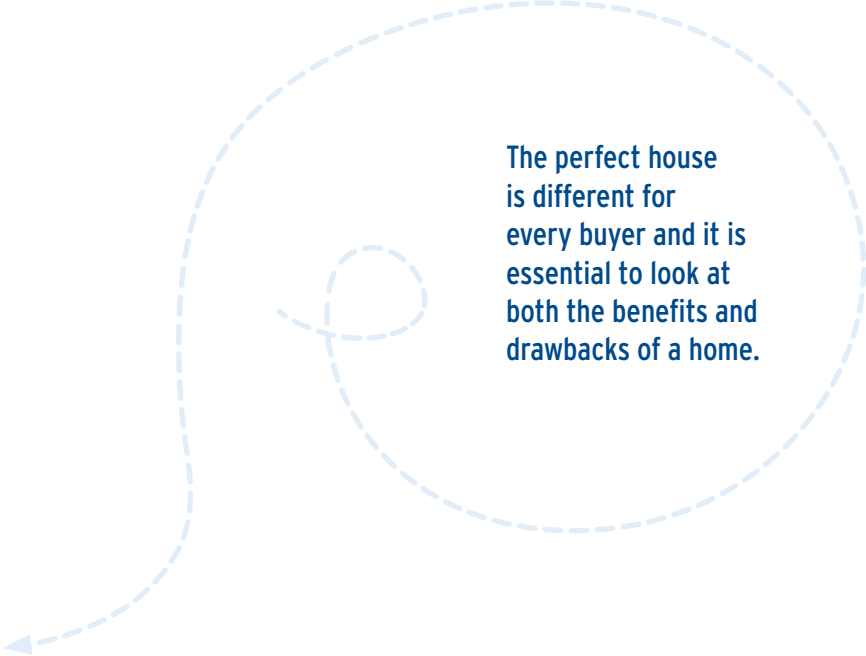
Knowing how much of a mortgage you're approved for gives you more buying power. Your purchase offer will stand out from the others when you also include a commitment letter, which is proof of your ability to obtain a mortgage from a lender.

At People's United Bank, we offer Homebuyer Advantage, a full mortgage pre-approval - a step beyond the pre-qualification process most lenders provide. We can pre-approve you for a conforming or jumbo product, fixed or adjustable rate loan program. To apply for a mortgage or a pre-approval, we'll need information about your income, credit and assets. If you qualify, we'll provide you with a mortgage commitment and a Pre-Approval Certificate, good for 90 days from the date you applied. With a Pre- Approval Certificate in-hand, you'll have the leverage you need to successfully negotiate a home purchase.



For more information in determining the mortgage option that is right for you visit your nearest People's United Bank branch, call **855-782-LEND** or visit www.peoples.com

Our mortgage experts can help you get pre-approved!



The perfect house is different for every buyer and it is essential to look at both the benefits and drawbacks of a home.

Types of Homes

→ **SINGLE-FAMILY HOME**

These one unit structures have open space on all four sides and are not attached to any other building. Single family homes come in many different styles and sizes, giving you more options when searching for the home that suits you best. Since these homes are so versatile, they tend to be more expensive than other options and require more maintenance.

→ **CONDOMINIUMS (CONDOS)**

Condos are separate living spaces that may be attached or detached to one another to make up a larger building. Special features of a condo may include common areas, fitness centers and recreation areas. Condo buildings belong to an association made up of all of its owners. This association is in charge of determining the governing rules and regulations of the building as well as the monthly assessment fees. Since the association handles the up keep of the building, owning a condo is very low maintenance for the owner. When living in a condo, owners must pay monthly condo assessment fees which are in addition to the monthly mortgage payment.

→ **TOWNHOUSES**

A townhouse is a row home that typically is two- stories and is more spacious than a condo. They are usually vertical in design and some of them have attached garages. Some townhouses are a part of a homeowners association, which comes with the added benefit of exterior maintenance. Townhouses are very common in cities and can be built in Planned Unit Developments (PUD), that also have space for public schools, parks, and other conveniences in the neighborhood.



→ **FIXER-UPPERS**

These are typically homes that are in need of extensive repairs, updating and maintenance. These homes usually provide significant value to buyers who want to personalize their property and further create equity. Buyers need to be prepared for additional costs due to the repairs the home needs compared to purchasing a move-in condition home. It is important to get the home professionally inspected to ensure that you are aware of the necessary repairs prior to purchase.

→ **NEW-CONSTRUCTION HOMES**

Building a brand new home gives you the freedom to design every feature to your liking. You can choose the layout of every room, the light fixtures, finishes and more. You may also be able to work with a builder and choose from pre-designed models. Purchasing a home pre-construction is typically more cost efficient and allows you to have more control during the building process. If you decide this is the right option for you, research the builder or developer to make sure they are reliable and have a good track record.

→ **GREEN HOMES**

Green, or eco-friendly homes, are becoming more popular. A green home, according to the U.S. Green Building Council (USGBC), is built out of materials from recycled products that are quickly renewable. These homes use less water, energy and other natural resources because it generates energy from photovoltaic cells (solar panels) or wind turbines. Green homes also have well-insulated windows and doors. Paints and carpets are all made using environmentally friendly organic compounds. Green households also come with Energy-Star lighting and appliances, and showerheads and toilets that use less water that ultimately save you more money. To ensure that the home you are purchasing meets sustainable construction standards, look for the USGBC's LEED certification in a green home.



Selecting a Real Estate Agent

Most real estate transactions are assisted by a real estate professional. Real estate agents have the knowledge and experience to guide you through the steps of shopping and purchasing a home. Their job is to make the home-buying process as easy and hassle-free as possible.

Making An Offer

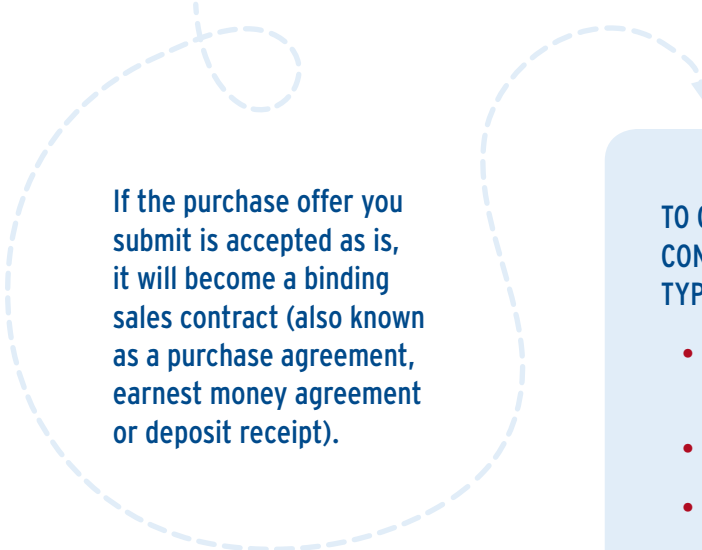
The basis of a real estate transaction is a written proposal. After you have found the right home and decided you are ready to purchase it, you will need to enter into a written contract, which begins with the written offer. Included in this proposal are the price and the terms and conditions of the purchase. All terms and promises must be included in the written offer, or there will be no legal grounds to support any claims.

A real estate professional will be the one to write up your purchase offer and answer any questions you may have. If you choose to not work with a real estate agent, you will be responsible for writing the purchase offer or contract that includes all terms of the sale and conforms to state and local law. Make sure that you are aware of all of the state laws and provisions that may be required in your area.

Finally, after the offer is drawn up and signed, it will be presented to the seller by your real estate agent, the seller's real estate agent, or both. In some areas it will be required that your sales contract be drawn up by an attorney.

A REAL ESTATE PROFESSIONAL:

- Will discuss your wants and needs with you to ensure that you find a home that is suitable and fits your budget.
- Finds the properties on the market in your desired area and price range.
- Is able to negotiate prices, helping you get the best deal possible.
- Will write up your purchase offer for you and present it to the seller, which is the best way to ensure that your contract is accepted.
- Is there to assist you as a licensed professional to protect your rights and help you through this complicated process.



If the purchase offer you submit is accepted as is, it will become a binding sales contract (also known as a purchase agreement, earnest money agreement or deposit receipt).

Earnest Money

This is a deposit you give when making an offer on a house. This deposit is expected by the seller in order to show “good faith” in a purchase. A real estate professional or attorney holds this payment, which will eventually become part of your down payment or will be returned to you if your offer is declined.

The Seller’s Response to Your Offer

As soon as you are notified that the seller has accepted your written offer, your contract becomes binding. If instead the offer is rejected, it is important to find out what the specific issues were with the offer so you can be aware of them as you continue your home search.

It is also common to receive a written counter offer from the seller. This occurs when the seller likes everything except the sale price, the closing date, etc. You can accept, reject, or make your own counteroffer. For example, “We accept the counteroffer with the new closing date, but we do not accept the higher price”.

When either party makes a change in the terms, the other side can accept, reject or counter it as many times as they choose. The binding contract only begins once both parties sign an unconditional acceptance of the other side’s proposal.

TO CREATE A BINDING PURCHASE SALES CONTRACT, YOUR PURCHASE OFFER WILL TYPICALLY INCLUDE:*

- Address of the home you are purchasing and a description of the property.
- Sales Price.
- Terms of purchase - for example, all cash or subject to obtaining a mortgage of a specific amount.
- Seller’s promise to provide clear title (ownership).
- Target date for closing (completion of purchase and sale).
- Amount of earnest money deposit accompanying the offer, in the form of a check, cash, or promissory note. Also, how the money will be returned to you or kept by the seller as damages if you decide to back out of the sale.
- Method of adjustment of real estate taxes, rents, fuel, water bills, and utilities between buyer and seller.
- Provisions regarding who will pay for title insurance, survey, inspections and other related expenses.
- Type of deed given.
- Any other state-specific requirements, including attorney reviews of contracts, disclosure for specific environmental hazards and specific state clauses.
- A provision that the buyer can make a last minute walk-through of the property shortly before closing.
- A time limit after which the offer will expire.

* The terms of a purchase and sales contract may vary by state and local rules and practices.



Types of Mortgages

→ **FIXED RATE MORTGAGES**

This option is great for those who are looking to own their home for several years, as it provides the stability of fixed payments.

- Interest rates are fixed for the life of the loan, typically 15 or 30 years.
- Your payment includes principal, interest (does not change over the life of the loan) and taxes and insurance (may change over time). Mortgage insurance may also be escrowed on your payment, when needed.
- Your total mortgage payment is more stable than a rent payment, but may change due to tax increases or changes in insurance premiums.

→ **ADJUSTABLE RATE MORTGAGES**

This is great for those who are looking for a short term option, offering lower up-front payments.

- Interest rates are variable and are typically lower than fixed-rate mortgages, which means you will enjoy a lower monthly payment.
- Although rates fluctuate with the market, there is a cap on how much your interest rate can increase or decrease over time.

→ **AFFORDABLE HOUSING PROGRAMS**

For buyers who don't qualify for standard programs, there are many affordable housing programs that could be the perfect fit for you!

→ **CONSTRUCTION MORTGAGES**

If you are looking to build a house from the ground up, this is a great option for you.

- Pay interest only during the construction phase.
- Apply once and have only one loan closing!

→ **JUMBO MORTGAGES**

For loans over \$424,100, this is your perfect fit.

What to Expect During the Application Process

1 Application

You will meet with a People's United Bank mortgage expert to discuss both your short term and long term goals as a potential home owner. You will discuss your financial situation and review all mortgage options.

2 Underwriting/ Commitment

Your application and financial profile will be reviewed by a mortgage loan underwriter and compared to the guidelines for the product you have selected. If you are approved, a commitment letter will be issued subject to any conditions outlined in the letter. You will review this document with your mortgage expert to make sure you understand the requirements to complete the process.

3 Appraisal

A licensed appraiser will be conducting an appraisal on the property being financed. This appraiser will be extremely familiar with house values in the surrounding neighborhood, ensuring an accurate and fair value.

4 Processing

Your commitment letter will detail the items you must provide to complete the loan process. A loan processor and/or underwriter will verify your income and assets, review property information and credit documents.

5 Closing

At closing all related parties meet to finalize the purchase and sale transaction, and you will execute the loan documents. Before closing, you will receive a copy of your Closing Disclosure describing your mortgage closing cost to ensure there won't be any surprises on the day of the closing. You will need a certified check for any additional funds to close and your government issued identification to ensure your identity. All the final documents are signed and the mortgage will be recorded.



Frequently Asked Questions



For answers to some of our most frequently asked questions, read on, or find a mortgage expert by visiting your nearest People's United Bank branch or calling **855-782-LEND**.

Our mortgage experts are here to help!

WHAT IS THE DIFFERENCE BETWEEN A PREQUALIFICATION AND A PRE-APPROVAL?

A pre-qualification is an estimate of your borrowing power after a review of your stated income, debt, assets, credit history and funds available for down payment and closing costs. A pre-qualification is not based on verified information and is not a commitment from a lender that they will give you a mortgage.

You can also determine how much you may be able to afford by using our mortgage qualifying calculators found on peoples.com.

A pre-approval is a mortgage commitment from the bank based on verified income and credit history, and subject to a property appraisal, given to homebuyers who have not yet selected a specific property.

At People's United Bank, in order to be pre-approved you must complete a loan application. Your credit report will be run and your mortgage expert will review your income, debt, assets, confirmed funds for down payment and closing costs. If qualified, you'll receive a Pre-Approval Commitment Certificate that you can provide to sellers/seller's real estate agent when you're ready to make an offer to buy.

WHAT ARE SOME OF THE BENEFITS OF PRE-APPROVAL?

With a People's United Bank mortgage pre-approval you gain a greater sense of security while shopping for a home, knowing that your loan is pre-approved. When it comes time to make an offer on a home, your Pre-Approval Certificate informs the buyer of the bank's commitment to lend to you which is helpful in negotiating your new home purchase.

WILL IT HURT MY CREDIT IF YOU RUN MY CREDIT REPORT FOR PRE-APPROVAL?

Every inquiry on your report that is based on a request for credit may result in your score being lowered. Inquiries on your report represent about 10% of your overall credit score, so if you have too many of them, it could hurt your chances of obtaining a loan or getting more favorable rates and program options. However, it is better to know ahead of time what your credit profile looks like and your score is not affected significantly, if you have several inquiries, within a short time frame of the same type of request.

WHAT IS AN ESCROW ACCOUNT?

An escrow account is set up by the mortgage lender to pay for certain property related expenses on your behalf. Property taxes, insurance and if needed, private mortgage insurance are expenses commonly escrowed. Escrowing for these items assures the lender that the payments will be made on time and kept current. The monthly costs for each will be included in your monthly mortgage principal and interest payment and held in an interest bearing escrow account until funds need to be dispersed. Since most real estate taxes are due annually or semi-annually, an escrow account helps the homeowner to budget for these big expenses on a monthly basis. Your mortgage servicer will provide you with an annual escrow statement which will detail the yearly activity on your escrow account.

DO I NEED AN ATTORNEY?

It is highly recommended that buyers that engage in any legal transactions secure the services of an attorney. Considering the complexity of the process and the importance of the decision of buying a home, it is prudent that you seek legal representation. However, the bank does not require that you hire an attorney to complete the mortgage process. You will, however be required to secure the services of the bank's attorney during the closing process. The cost of this service will be part of the initial estimate of your closing costs.

WHAT IS MORTGAGE INSURANCE?

Mortgage Insurance or MI is a type of insurance that protects the lender in the case that the borrower stops making payments on their mortgage. MI is required on most loans where the down payment is less than 20%. There are some loan programs that do not require MI. Please speak with your People's United mortgage expert to review eligibility.

DO I NEED TO PUT 20% DOWN TO BUY A HOME?

There are a number of first time homebuyer programs that require less than 20% down. In some instances, you do not have to put any money down. Most first time homebuyer programs require 3% - 5% down, but there are some product specific guidelines that you should review with your mortgage expert.



WHAT IS TITLE INSURANCE?

Title Insurance is a form of indemnity insurance to protect lenders in case of a defect on their title to the property. People's United Bank will require lender's title insurance to protect their interest in real property securing a mortgage loan.

WHAT IS OWNER'S TITLE INSURANCE?

Owner's title insurance is optional and additional insurance which is offered at time of closing. Lender's title insurance only protects the lender in case of a claim for defect, not the borrower. You should review with your attorney about the specifics as to the differences between a lender's and owner's policy.

HOW DO I LOCK A RATE?

Your Mortgage Expert has the ability to lock your interest rate for you. Once you have verbally committed to an interest rate and closing point option, your mortgage expert will secure the rate for you, they will provide you with a written confirmation with details of your rate lock and the time period for you to execute on that confirmation.

CAN I LOCK IN MY INTEREST RATE, WHILE I AM SHOPPING FOR A HOME?

People's United Bank does not lock rates unless a purchase offer has been accepted, or the borrower is refinancing a property which they already own.

Banks are required to deliver a mortgage to an investor within a certain period of time or face penalties if they are late on the delivery of such loans. If a buyer exceeds the amount of time on a purchase, they may be requested to pay additional fees or extension costs as a result of those delays. Because buyers do not have a clear timeframe, when shopping for a home, it is not advisable or prudent to lock a rate in which the buyer could incur additional financial costs.

CAN I LOCK MY LOAN RATE FOR MORE THAN 60 DAYS?

Banks do offer extended rate lock periods longer than the traditional 60 days. Because the borrower is buying a contract into the future and interest rates fluctuate on a daily basis, there is a higher inherent risk in locking a loan for more than 60 days. As a result, a rate with a longer rate lock period may require additional fees or in some cases a higher interest rate.

WHAT HAPPENS IF RATES CHANGES DURING THE PROCESS?

Once your mortgage expert has provided you with a written rate lock confirmation, your interest rate is protected for the rate lock period that was provided to you. If interest rates increase due to market volatility, your rate is protected, as long as you can close on your mortgage loan within the time frame identified in the confirmation. However, if interest rates drop in the market, you will not be able to negotiate better terms with the bank.

CAN MY PARENTS GIVE ME MONEY FOR A DOWN PAYMENT?

Yes, family members can gift you money towards a down payment, but certain programs may require that you have a minimal investment from your own savings to qualify for a mortgage. Gift of funds are a great way to buy a home, but check with your mortgage expert for the specific requirements of each mortgage program.

DO STUDENT LOANS THAT ARE IN DEFERMENT COUNT AGAINST MY PREQUALIFICATION AMOUNT?

Each product has different requirements as it pertains to student loan deferment, but the majority of mortgage products require that we include a debt payment calculation during your application process. It is best to review this with your mortgage expert to ensure that we can select the best mortgage option for your needs.

WHAT CAN I AFFORD?

Buying a home should be an individual decision, based on each person's budget and ability to repay a loan. People's United Bank includes debts like mortgages, student loans, auto loans, personal loans and credit card balances in our calculations to evaluate the size mortgage someone can afford. However, you may want to also include expenses such as day care, auto insurance and other items that are important to consider in evaluating how much of a monthly mortgage payment you can afford.

There are a variety of first time homebuyer programs with different payment plans so it is important for you to determine what you can afford per month and then working with a People's United Bank mortgage expert identify the best program/loan for you.

SHOULD I CHOOSE A FIXED RATE OR AN ADJUSTABLE RATE MORTGAGE?

Choosing a rate is always a personal decision and it should be based on the amount of time you expect to live on the property, current market and economic conditions and your comfort level with payment stability, against future payment changes. A fixed rate provides stability and comfort in knowing what your payments will be throughout the life of your loan, but the rates are normally higher than adjustable rate mortgages. ARMs or adjustable rate mortgages will fluctuate with market conditions. Banks also offer a blended option with a fixed portion upfront and a variable feature after the fixed period option is over. For instance, People's United Bank can offer fixed periods of 5, 7, 10 years which will adjust based on the market after that. This could be a good decision for someone that knows that they will live in their home for a short period of time, before moving or scaling up, while taking advantage of the lower rates that adjustable rate mortgages typically offer. To help you determine the best option for you speak with your mortgage expert.

WHAT IS EQUITY?

Equity is the portion of your home that you own, after discounting the amount that you need to pay to the bank. The best way to calculate this is by taking the current value of your home and subtracting the balance on your existing mortgage. If you have a positive balance, you have positive equity. If your current value is less than your current balance, you will have negative equity.

WHAT ARE CLOSING COSTS?

Closing costs are all the fees that a borrower has to pay in order to close on the purchase or refinance of their property. Some of these fees include attorney fees, appraisal reports, credit reports, title insurance coverage, government fees and more. Your bank will provide you with a Loan Estimate at least 3 days from time of application to show you what those costs are. Additionally, you will receive a Closing Disclosure at least 3 days prior to closing to show you what the final costs will be. Please keep these documents with you, so that you can review them with your mortgage expert and/or Attorney.

Mortgage Glossary

ADJUSTABLE RATE MORTGAGE (ARM)

A mortgage with a variable interest rate that adjusts periodically based on a preselected index and a margin, causing interest rates and monthly payments to periodically adjust.

AMORTIZATION

A monthly repayment schedule in which a loan is repaid through payments of principal and interest.

ANNUAL PERCENTAGE RATE (APR)

The annual cost of a loan, expressed as a yearly rate. APR takes into account interest, discount points, lender fees and mortgage insurance, so it will be slightly higher than the interest rate on the loan.

APPRAISAL

A written estimate of a property's current market value, based on recent sales information of similar properties, and the current condition of the property.

ASSESSED VALUATION

Determines the value of a residence for tax purposes and takes comparable home sales and inspections into consideration.

CAPS

Limits on changes in ARM interest rates or monthly payments, either in an adjustment period or over the life of the loan.

CLOSING

Meeting between the buyer, seller and lender or their agents at which property and funds legally change hands.

CLOSING COSTS

Fees incurred in a real estate or mortgage transaction and paid by borrower and/or seller during a mortgage loan closing. These typically include a loan origination fee, discount points, attorney's fees, title insurance, appraisal, survey and any items that must be prepaid, such as taxes and insurance escrow payments.

CLOSING DISCLOSURE

The computation of costs payable at closing that determines the seller's net proceeds and the buyer's net payment.

COLLATERAL

Assets that back a mortgage loan.

CONSUMER FINANCIAL PROTECTION BUREAU

A federal agency that enforces laws that protect consumers of financial products and services such as mortgages, credit cards and deposit accounts.

DISCOUNT POINTS

Money paid to a lender at closing in exchange for lower interest rates. Each point is equal to 1 percent of the loan amount.

DOWN PAYMENT

Money paid for a house from one's own funds at closing. The down payment will be the difference between the purchase price and mortgage amount.

ESCROW ACCOUNT

Account held by a lender containing funds collected as part of mortgage payments for annual expenses such as taxes and insurance, so that the homeowner does not have to pay a large sum when these fall due.

FANNIE MAE (FEDERAL NATIONAL MORTGAGE ASSOCIATION)

A quasi government agency created by Congress that buys and sells residential loans.

FIXED RATE MORTGAGE

A mortgage with an interest rate that doesn't change for the life of the loan, guaranteeing fixed payments.

FREDDIE MAC (FEDERAL HOME LOAN MORTGAGE CORPORATION)

Quasi-governmental agency that purchases conventional mortgages from insured depository institutions and HUD-approved mortgage bankers.

GIFT LETTER

A letter provided to a lender or government agency stating that money to be used as the down payment for a home loan was a gift and not a loan from the donor.

HAZARD INSURANCE

Protects the insured against loss due to fire or other natural disaster in exchange for a premium paid to the insurer.

HOMESTEAD EXEMPTION

Portion of a home's assessed value that is exempt from property taxes.

INDEX

A published rate used by lenders to calculate interest adjustments on ARMs (Index + Margin = Interest Rate). Some indexes are more volatile than others.

LOAN ESTIMATE

This document sets out the costs associated with a mortgage, including the interest rate, lender fees, title charges, pre-paid interest and insurance. The government requires that your lender give you a Loan Estimate within three days of receiving your loan application.

LOAN-TO-VALUE RATIO

The percentage of the property value borrowed.

MARGIN

The number of percentage points added to an index to calculate the interest rate on an ARM at each adjustment.

MARKET VALUE

The highest price that a buyer may pay for a property and the lowest price a seller may accept.

MORTGAGE

A document that creates a lien on a property as security for the payment of a debt.

MORTGAGE INSURANCE (MI)

An insurance policy which compensates lenders or investors for losses due to the default of a mortgage loan.

PRE-APPROVAL

An evaluation of a potential borrower by a lender that determines whether the borrower qualifies for a loan from the lender.

PRE-QUALIFICATION

The process of determining how much money a prospective homebuyer may borrow, prior to application for a loan.

RATE LOCK

Guarantee from a mortgage lender that they will give a mortgage loan applicant a certain interest rate, at a certain price, for a specific time period.

REFINANCING

The process of paying off one loan with the proceeds from a new loan secured by the same property.

SECONDARY MARKET

The market into which primary mortgage lenders sell the mortgages they make to obtain funds to originate more loans.

SERVICING

The collection of mortgage payments from borrowers and related responsibilities.

TITLE INSURANCE

Insurance that protects the lender (lender's policy) or buyer (owner's policy) against loss due to disputes over property ownership.

TRANSFER TAX

Tax paid when a title passes from one owner to another.

UNDERWRITING

The process of verifying data and evaluating a loan application. The underwriter gives the final loan approval.

For Additional Information



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