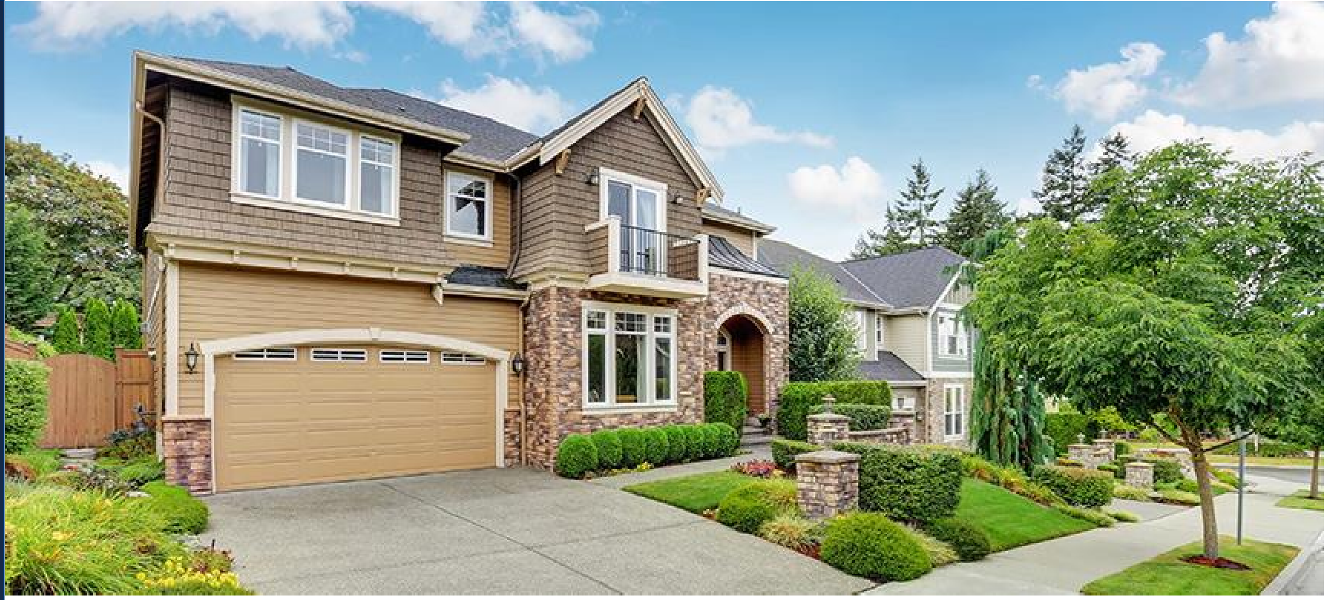
BUYING YOUR HOME

A Quick Look at the Process

Sandy Spring Bank
From here. For here.



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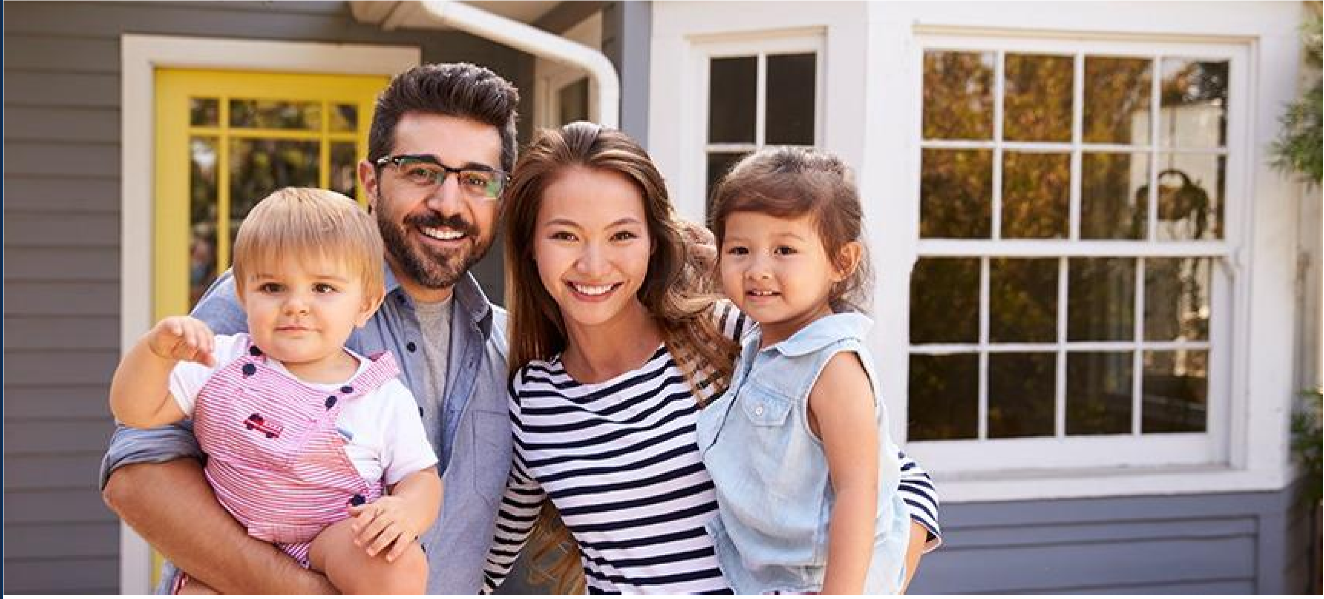
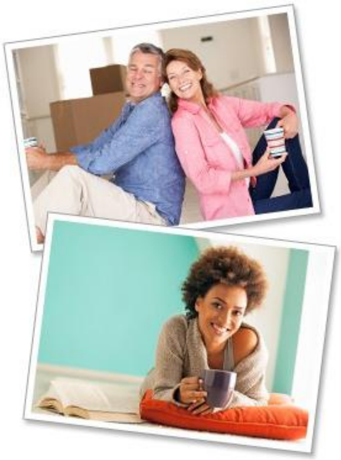


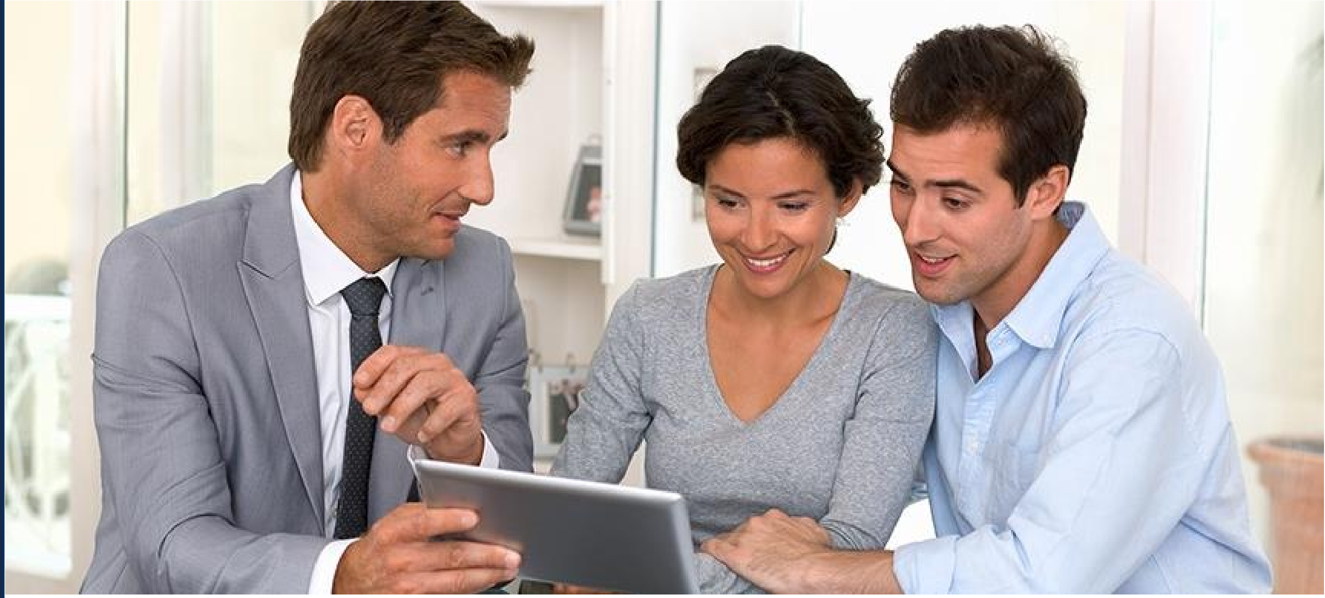
Introduction



Purchasing a home, whether it's your first or last, is a big decision that raises all types of questions, especially about the loan process.

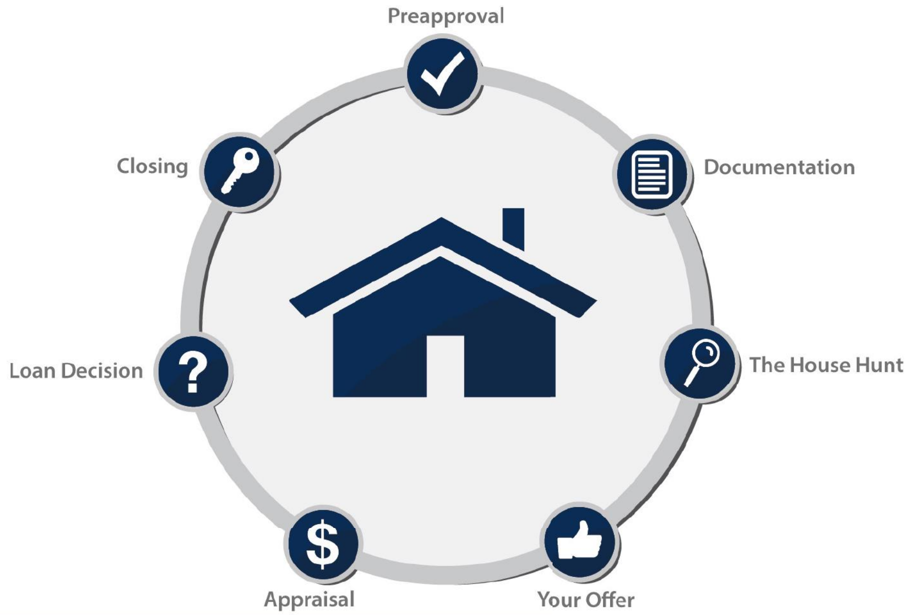
The following information covers the basics about buying a home, answers commonly asked questions and provides important do's and don'ts to consider.

My team is here to help make the homebuying process as smooth as possible. If you have any questions, please don't hesitate to reach out.



The Loan Process

Get acquainted with the basics of the home loan process for a smoother overall buying experience.



Preapproval: Find out how much home you can afford in advance. This step will increase your negotiating power because there is a higher likelihood of loan closing.

Documentation: Provide paperwork to support your loan application, including income and asset documents.

The House Hunt: Shop for a house that aligns with your lifestyle and financial goals. A real estate agent can show you homes and negotiate the purchase on your behalf.

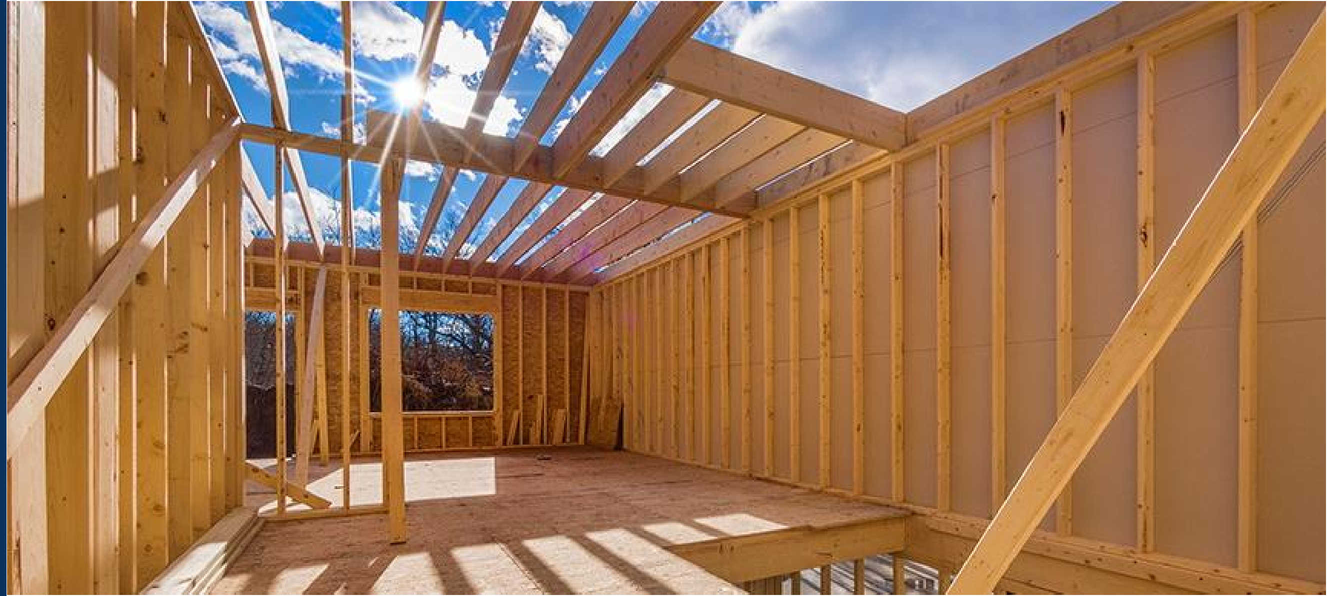
Your Offer: Working with a real estate agent, you will make a written offer to the home sellers. This offer will include, among other things, the price you are offering and the amount of earnest money you are putting down to hold the home through closing. The offer also will list any contingencies that could negatively impact the home purchase, such as home inspection results or financing falling through. The seller may counter offer, and the purchase negotiation begins.

Appraisal and Inspection: Once an offer is accepted, lenders require a property appraisal to determine the fair market value of the home as well as a title examination to determine if there are any outstanding liens or judgments against the property. Inspections may also be required based on loan type, and can help identify any safety or quality issues with the home.

Loan Decision (Underwriting): The loan is approved or declined through the underwriting process. A conditional loan approval may be contingent on additional documentation or actions. In some cases, a counter approval may be provided with alternative loan options.

Closing: All final loan and escrow documents are signed. The lender confirms and completes the transaction with the necessary loan funds.

You get the keys!



Types of Loans

As a homebuyer, you have several loan products available to you, including loans based on income or based on geographic area.

Our team will discuss your short- and long-term financial goals, analyze your current financial situation, and present the loan products that are most appropriate for your goals and needs.

The most common types of loans are listed below.

Adjustable-Rate Mortgage (ARM)

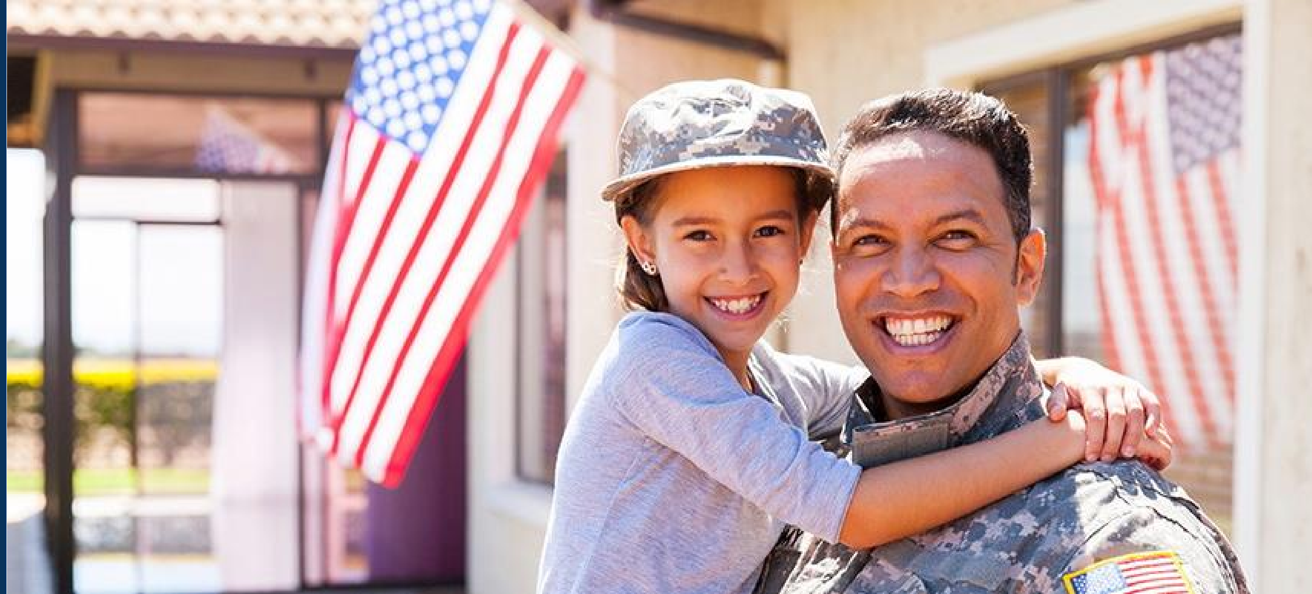
With an ARM, the interest rate is adjusted periodically throughout the loan term based on a preselected index and margin. This means, your monthly payment will adjust as well.

Construction Loan

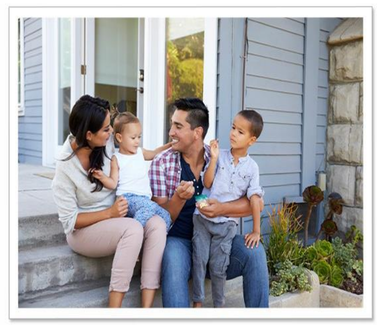
This short-term interim loan is to finance the cost of construction. The lender advances funds to the builder at periodic intervals as the work progresses. Once construction is complete, the homeowner moves to a home loan.

Federal Housing Administration (FHA) Loan

FHA loans are backed by the government and open to all qualified homebuyers. FHA loans have limits, but they are generous enough to handle moderately-priced homes almost anywhere in the country. These loans allow low down payments and offer flexibility over many other types of financing.



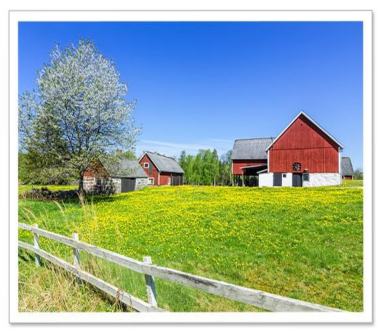
Fixed-Rate Mortgage



A loan term, or mortgage term, is the length of time the homebuyer will pay the loan back in full with interest.

The most popular home loan terms are 15- and 30-year fixed-rate mortgages. This means that over the term of the loan (either 15 or 30 years), the principal and interest payment will remain fixed and not change. In some instances, a term can be shortened when borrowers pay more each month and pay the loan ahead of schedule.

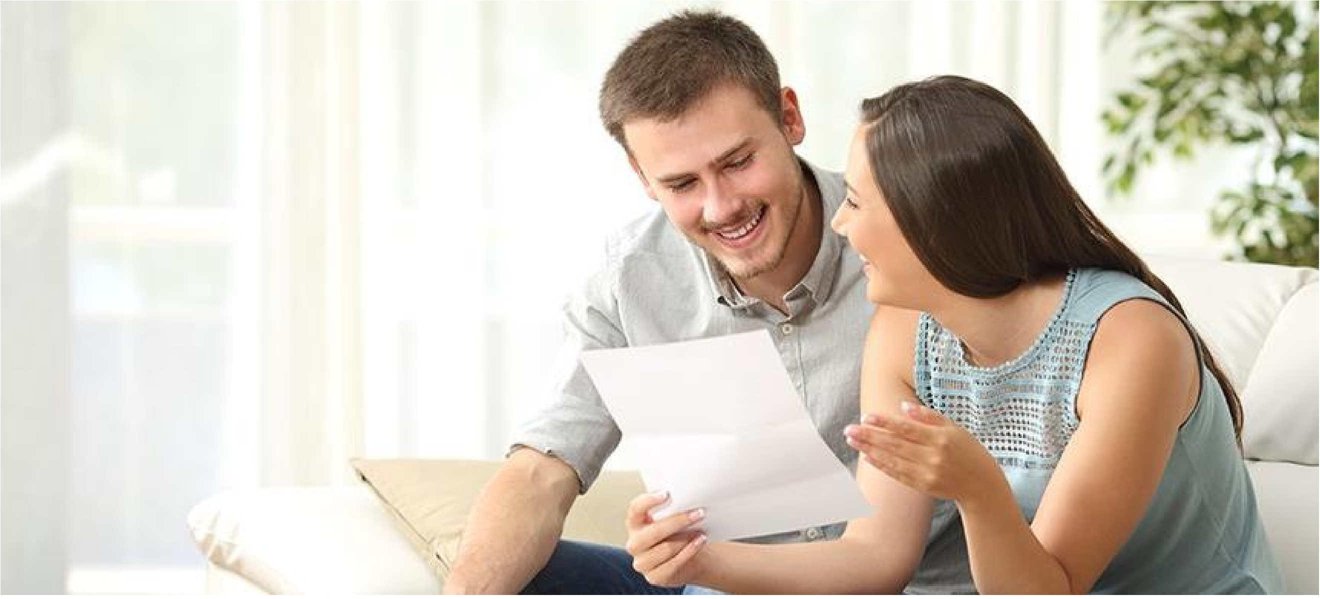
U.S. Department of Agriculture (USDA) Home Loans



Also called "Rural Housing Loans" or "Section 502" loans, USDA financing allows for up to 100 percent financing on homes in qualified USDA rural areas. Borrowers who meet USDA income eligibility requirements —among other lending criteria—are eligible. USDA-eligible areas can be found throughout the country and are determined by census tract density.

Veterans Affairs (VA) Loans

VA loans are available to eligible veterans and are made by private lenders, such as banks or mortgage companies, for the purchase of a home for a buyer's own personal occupancy. These loans offer competitive rates and require little or no down payment.

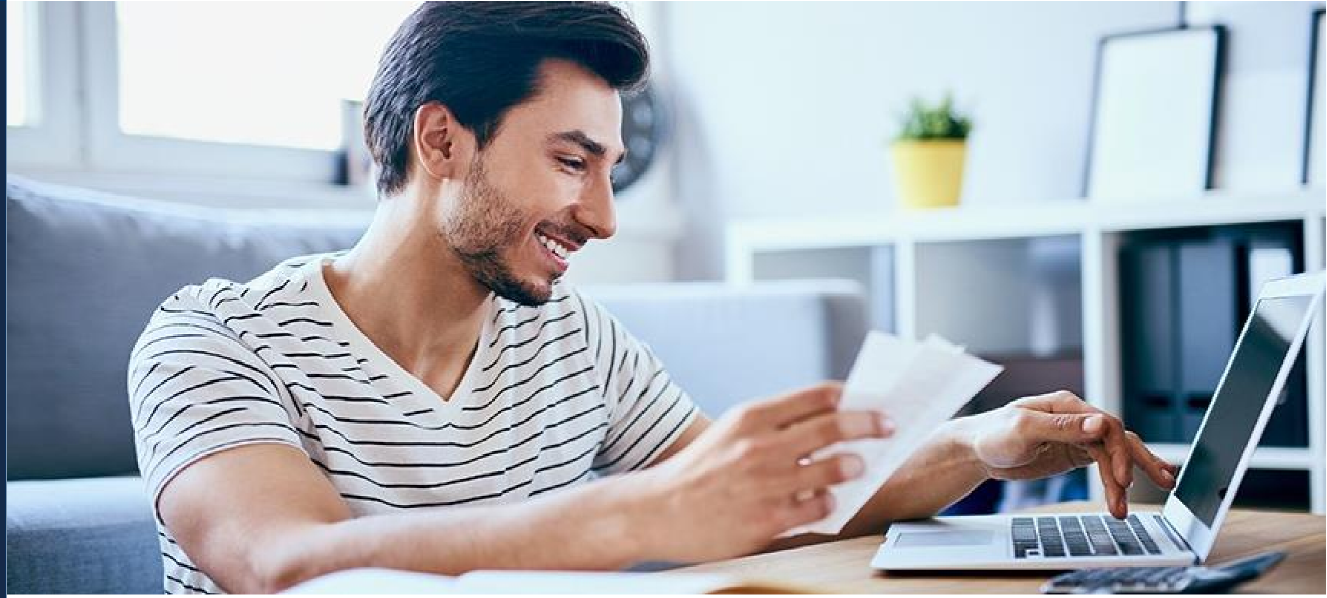


Loan Documentation Checklist

Your loan application will require supporting documentation regarding your finances and work history. All of the documentation will help determine the home loan products and terms that best fit your short- and long-term financial situation and goals.

This checklist includes the most common documentation required. Additional information may be requested based on loan program.

- Address to your place of residence (past two years)
- Social Security numbers (to pull credit reports)
- Names and locations of your employers (past two years)
- Gross monthly salary at your current job(s)
- Checking and savings account information
- Information for all open loans
- Complete details for other real estate you own
- Approximate value of all personal property
- Current paycheck
- W-2 forms (past two years)
- Personal tax returns (past two years)



What's Included in a Monthly Home Loan Payment?

Below is a breakdown of the most common elements of a home loan payment.

Annual Percentage Rates

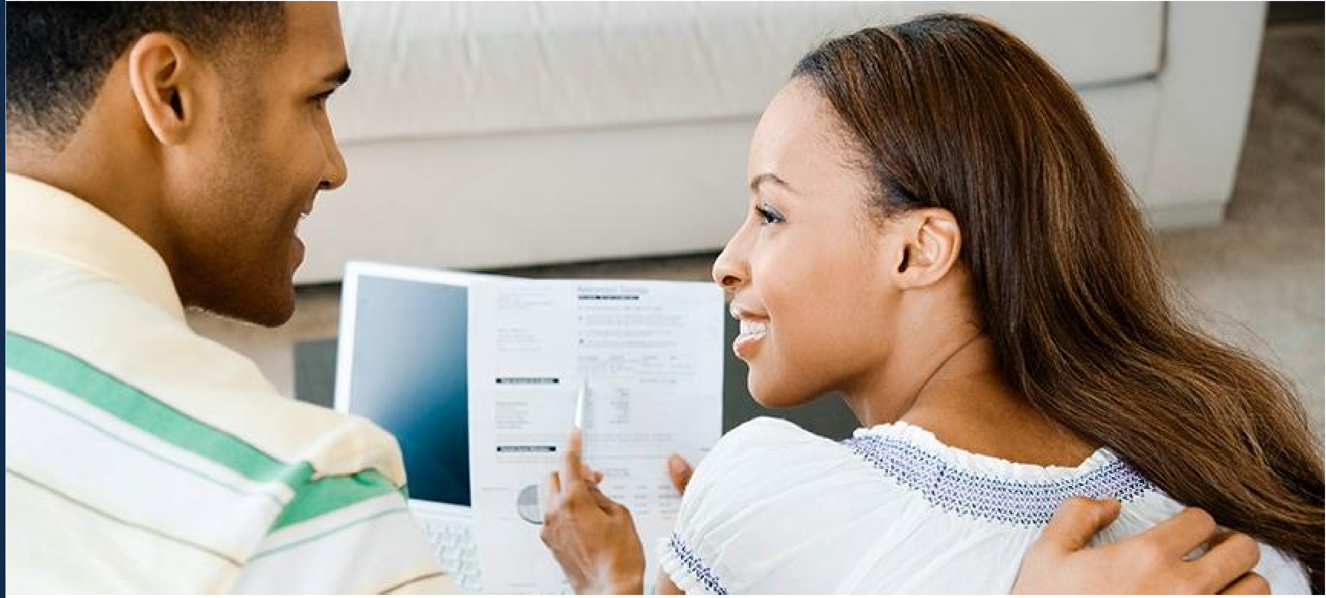
All lenders are required by law to state the total cost of obtaining home loan financing, which is reflected through the Annual Percentage Rate (APR). The APR will almost always be higher than an interest rate because it factors in fees and other costs associated with your loan plus the interest rate.

Escrow Funds

Escrow funds are like a mandatory savings account tied to your home loan payment. An escrow account will hold homebuyer money for property taxes, insurance and other items until these are required to be paid. The amount paid to escrow may fluctuate over the life of the loan based on changes to property taxes.

Interest Rates

Finding a good interest rate is important because it can save you tens of thousands of dollars in interest payments over the life of your loan. While there is no shortage of advertising for interest rates, an advertised rate may only be available for a short period of time or reserved for qualified borrowers for specific types of loans. Moreover, interest rates change daily.



Principal and Interest Payments (PITI)

Monthly home loan payments are primarily made up of principal, interest, taxes and insurance payments.

The amount you borrow is known as the principal on your loan. The interest is what the lender charges for lending the money. Typically, each monthly home loan payment will go toward paying off the principal loan balance and interest. Most monthly payments also include additional amounts for taxes and insurance.

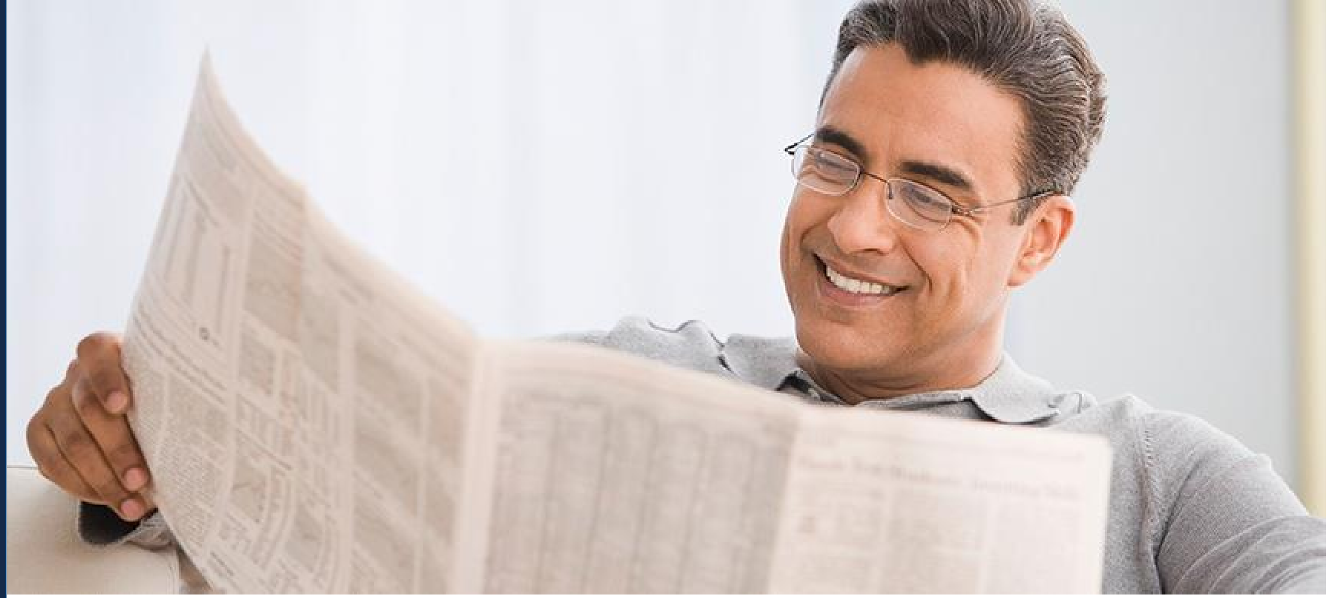
The part of your payment that goes to principal reduces the amount you owe. The part that goes to interest doesn't reduce your balance.

At the start of your loan term, you owe more interest because your loan balance is still high. Near the end of the loan, you owe less interest, and most of your payment goes to pay off the principal. This process is known as amortization.

Loan terms can usually be shortened when borrowers pay more than the minimum loan payment each month. The additional funds go to pay down the principal loan balance.

Mortgage Insurance (MI)

Mortgage Insurance is money paid by borrowers to insure the loan when a down payment is less than 20 percent. Mortgage insurance may be paid as an add-on to a monthly mortgage payment, paid upfront or at closing. The amount required is determined based on loan program type, property type, credit score and ratio of the loan value to the value of the property being purchased.



Interest Rates and Why They Fluctuate

Home loan interest rates are tied to a type of Bond called Mortgage Backed Securities. At the heart of home loan rate movement is the push and pull between Stocks and Bonds as they compete daily for the same investment dollars. Economic conditions, inflationary pressures and geopolitical events all influence the direction of Stocks and Bonds.

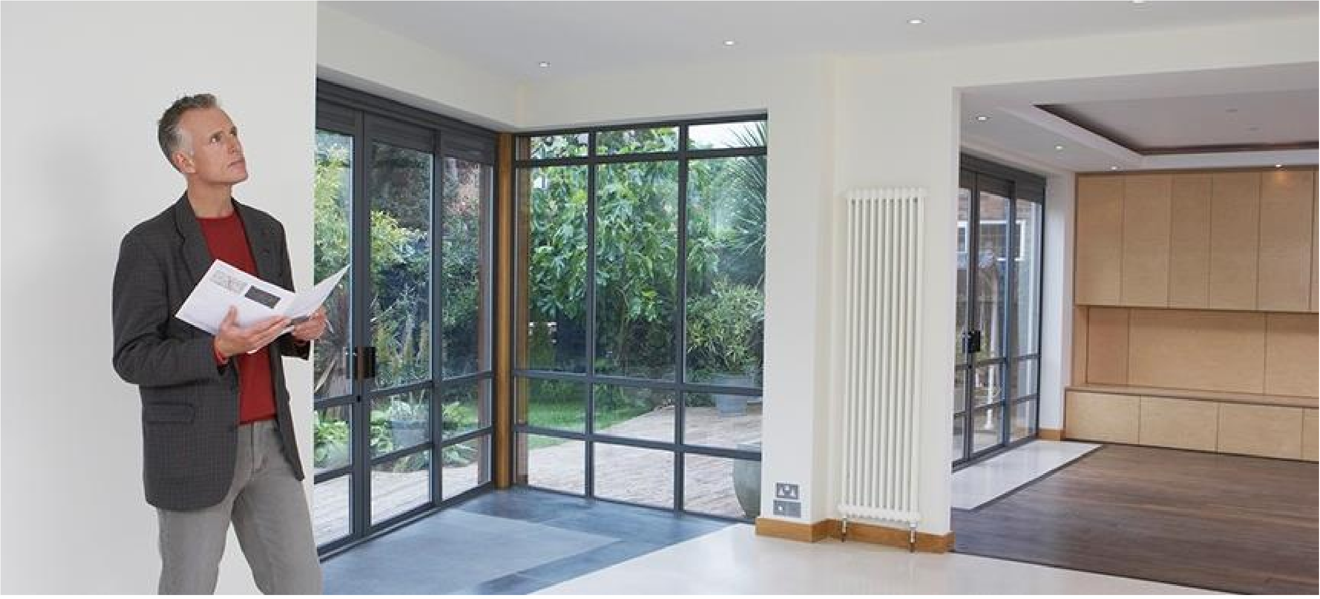
When economic reports are weak or disappointing, investors often move their money from riskier investments like Stocks into Bonds, which are considered safer. Since home loan rates are tied to Mortgage Bonds, they can improve. In contrast, strong economic news often causes investors to move money into Stocks. This can cause Mortgage Bond prices and home loan rates to worsen.

Inflation also reduces the value of fixed investments like Mortgage Bonds. A low inflation environment tends to be good for Bonds and rates, while high inflation can cause both to worsen.

Political turmoil or economic crises around the world can also cause investors to move their money into the safety of the Bond markets, helping home loan rates improve.

Rate Trend Tips

Unemployment Up ↑	= Interest Rates Decrease ↓	
Unemployment Down ↓	= Interest Rates Increase ↑	
Inflation Up ↑	= Interest Rates Increase ↑	
Inflation Down ↓	= Interest Rates Decrease ↓	
Geopolitical Events	= Interest Rates Decrease ↓	(Short Term)



The Lowdown on Home Appraisals

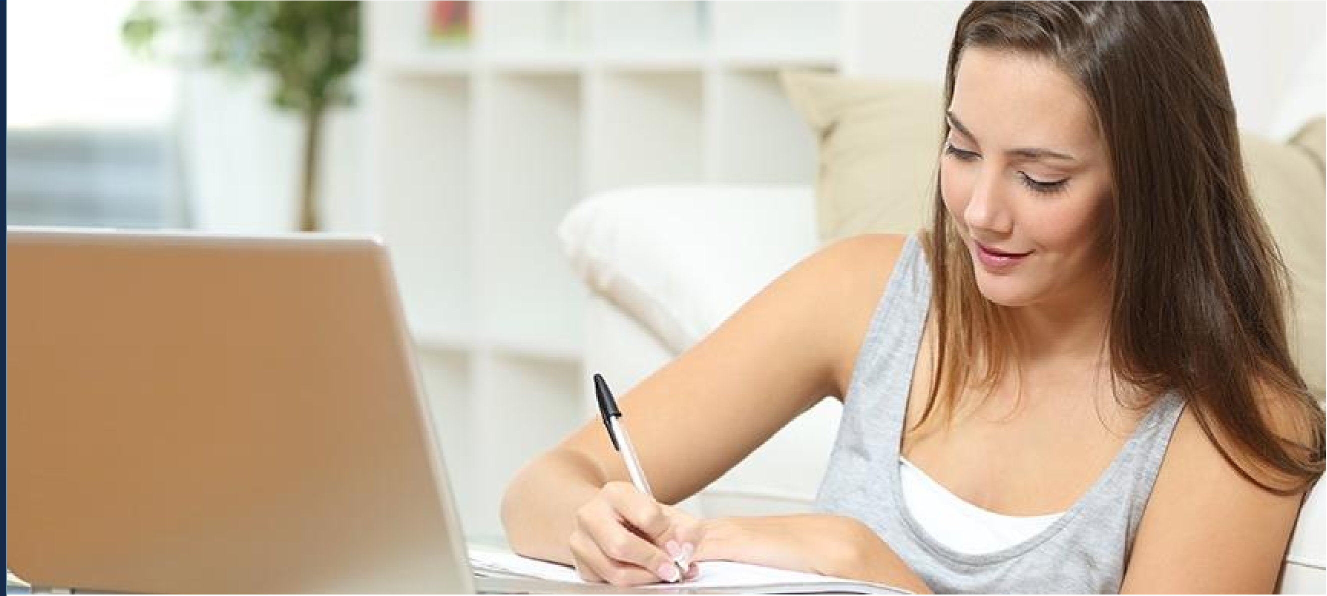
A home appraisal is a required part of the loan process and is conducted by a certified appraiser. The appraiser's job is to provide an objective, impartial and unbiased assessment of the property's fair market value.

The appraiser's report includes a detailed look at the home's general condition and a review of the surrounding area.

> Since housing markets fluctuate—as do home values—appraisers rely heavily on recent home sales within the last six months in the local area to determine fair market values. Location, structural improvements, size and amenities are some other factors that are also considered.

For buyers, appraisals can be a safeguard to ensure that a home's sales price is reasonable.

Appraisal guidelines are dictated by legal requirements as well as the type of loan being issued.



Do's and Don't During the Loan Process

Any changes to your financial situation during the loan process could negatively impact you.

Follow these simple do's and don'ts from preapproval to loan closing:

Do

Do use credit modestly. Balances exceeding 30 percent of the total available credit line can bring credit scores down.

Do pay bills on time. Stay current on existing accounts and avoid late bill payments.

Do maintain your current employment. While changing jobs is sometimes unavoidable, maintaining your existing work history through the loan process is best.

Do stay in touch with your loan and real estate professionals with questions about whether a specific action can affect your loan process.

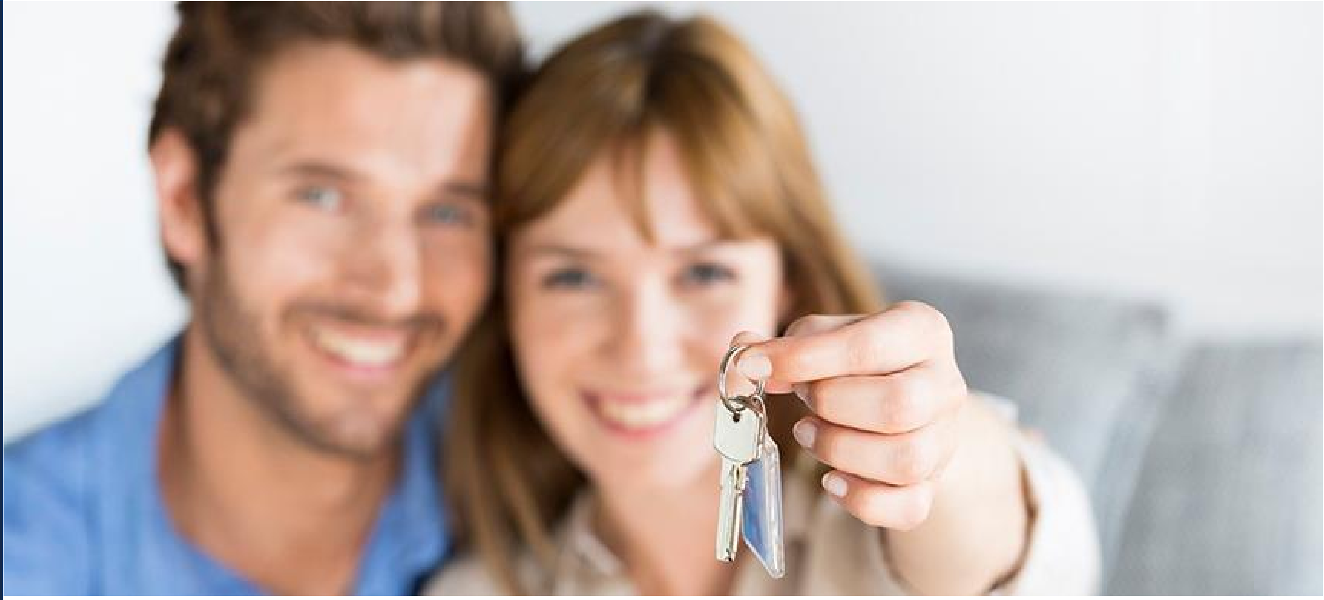
Don't

Don't apply for new credit. A single credit inquiry can drop a credit score by as much as 15 points.

Don't make large purchases. This includes transferring debt from one card to another or buying new appliances and furniture (especially with a new retailer credit card).

Don't tap into down payment and closing funds. Many lenders will want to see proof of these funds as well as the source of these funds.

Don't close credit accounts. Closing a credit card will adjust the total amount of available credit and length of your credit history, both of which can negatively impact your credit score.



Closing Day

When the big day arrives, you'll be reviewing many pages of paperwork and signing and initialing several documents before getting the keys to your new home.

It may seem overwhelming ... even to those who've gone through closings before.

Here are some tips to prepare, and if at any time during the process you have questions, please don't hesitate to ask. A home purchase is a significant, long-term commitment, and we want to ensure you are comfortable and confident with your decision.

Before Closing

Compare the Numbers
By law, you must receive your Closing Disclosure three business days before closing. Once you receive this, compare it to your most recent Loan Estimate for any discrepancies or questions you may have.

Know Where to Be and When
Make sure you have handy the date, time, location, phone number and name of the person who will be conducting your closing.

Confirm What You Will Need at Closing
Contact the individual handling your closing to confirm how closing funds must be provided (usually a cashier's check or wire transfer) and other items to bring to closing. Often, this will include photo identification, a checkbook and your Closing Disclosure.

Get Closing Funds Ready
Process the cashier's check or proof of wire transfer for closing funds.

At Closing

Confirm Key Information

Make sure you understand if property taxes or homeowners insurance is included in your monthly payment or if you have to pay them separately. Also find out who you should contact in the future if you have questions about your home loan.

Ask Questions and Don't Rush

Throughout the process, you will be asked to initial or sign pages of documents that are reviewed. Before you initial or sign, ask for clarification on anything that is unclear.

Source: Consumer Financial Protection Bureau