YOUR HOMEBUYING TOOLKIT

Congratulations on your decision to buy a home!

The ***Homebuying Toolkit*** provides helpful information to simplify the mortgage process and help you achieve your personal and financial goals.

Waterstone® MORTGAGE

BUYING A HOME DOESN'T HAVE TO BE *Overwhelming*

We've assembled valuable tools and resources to help you better understand the mortgage process and confidently navigate your path to homeownership.

Here is what you'll find inside:

We hope you find this information helpful. At the end of The Homebuying Toolkit, you will find instructions on how to get started with the mortgage process.

PURCHASE LOAN *Process*

STEP 1 Complete a full mortgage loan application and give consent for Waterstone Mortgage to obtain a credit report to receive a pre-approval* or Platinum Credit Approval (PCA).**

STEP 2 Receive an accepted offer on a home.

STEP 3 Within 3 days of application submission, you'll receive your Loan Estimate (LE) with details on your monthly payment, closing costs, and fees, based on the subject property.

STEP 4 Provide intent to proceed with the loan application.

STEP 5 Schedule your home inspection.

STEP 6 An appraisal is ordered on the home to ensure its value.

STEP 7 Shop for your homeowners insurance.

STEP 8 Conditional approval is issued (the loan is approved, subject to certain conditions).

STEP 9 Submit any additional required documents, such as bank statements, pay stubs, W-2s, tax returns, and more.

STEP 10 Our underwriting team reviews any additional documents and issues your "clear-to-close."

STEP 11 Review the Closing Disclosure (CD)*** and receive final approval.

STEP 12 Attend your closing and begin making memories in your new home!

*In accordance with federal regulations, consumers are not required to provide verifying documentation until after they submit an application, receive their Loan Estimate, and state an intent to proceed with the transaction.

**A Platinum Credit Approval is a pre-approval program offered by Waterstone Mortgage. In accordance with federal regulations, consumers are not required to provide verifying documents until they have submitted an application, received a Loan Estimate Disclosure, and stated their intent to proceed with the loan transaction. A pre-approval is not an offer to enter into an agreement, which must be made separately and in writing, and should not be construed as a commitment to lend. Waterstone Mortgage is not obligated to close and fund this loan unless all terms and conditions of the pre-approval have been met. Once a property is selected, Waterstone Mortgage must order and receive a satisfactory flood zone determination, property appraisal, and a satisfactory private mortgage insurance certification, if required. Waterstone Mortgage reserves the right to cancel this pre-approval in the event of any material misrepresentation in the customer's application, in the event of an adverse change in the customer's credit history, employment, income, assets, debt, or other factors affecting their financial status, or if the above requirements are not satisfied.

***Certain changes to your loan that occur after the initial Closing Disclosure (CD) is delivered to you may result in a revised CD and new three business day waiting period to close. These include a change to the loan product or a change that causes the APR to become inaccurate based on legal limits established by federal regulation. For all other changes, you will receive a revised CD at or before closing. Your timeline may vary based on your unique circumstances.

THE 5 CS
of Homebuying

There are five main criteria mortgage lenders take into consideration when you apply for a mortgage loan.

Cash

- What is your net worth?
- Can you handle the payments if your income stopped for any reason?
- Are you making a down payment? If yes, how much?

Quick Tips:

- *Save to put down at least 3.5% of your purchase price (actual down payment needed will vary depending on your loan program)*
- *Plan to have 2-3 months of house payments in the bank after closing*

Credit

- What is the likelihood that you will repay the loan on time?
- What is your payment history?
- Is there a reasonable explanation for any challenges in your past?

Quick Tips:

- *Make sure you have no late payments in the last 12 months*
- *Aim to have multiple credit lines open, with a 24-month history*
- *Have at least one credit line with a limit of over $1,000*

Collateral

- What type of real estate are you buying (single-family home, condo, town home, etc.)?
- What is the current market value of the property, and how was this determined?
- What is the structure's current condition and marketability in case of foreclosure?

Quick Tips:

- *Choose a property that is in good condition and likely to meet lender and appraisal requirements*
- *Be prepared for the home's value to be verified through an appraisal before your loan can be approved*

THE 5 CS *of Homebuying* *(Continued)*

Capacity to Pay

- Can you afford the new payment?
- What is your likelihood of being able to continue to afford this new payment?
- If you were to lose your current income stream, would you reasonably expect to replace that same income?

Quick Tips:

- *Plan to show at least two years in the same line of work*
- *Limit your total home and credit payments to 40-45% of your monthly, before-tax income*

Change of Payment

- How much is your monthly housing payment increasing?
- Where is the extra money coming from?
- Will this increase in payment be feasible, long-term?

Quick Tips:

- *Your monthly payment increase should be proportionate to income and savings history*
- *Buying a home should not create problems paying for basic needs such as groceries, utilities, gas, clothing, etc.*

AFFORDABILITY *Worksheet*

Start your home search with confidence — get pre-approved before you begin looking so you can focus on homes within your budget.

How much can I afford to pay monthly?

A. Total pre-tax monthly household income (that can be documented)	**A.** $_________________
B. Total monthly household income x 45% (.45)	**B.** $_________________
C. Total monthly debt payments (vehicles, credit cards, student loans)	**C.** $_________________
D. Calculate: B – C = D Maximum monthly house payment (including property tax and insurances)	**D.** $_________________

As an experienced mortgage consultant, I will help you evaluate your options, determine if there is a solution to any challenges, and assist you as you prepare for the homeownership process.

HOME LOAN *Document List*

To determine how much you can afford, and give you the most accurate pre-approval possible, we'll typically need the following information:

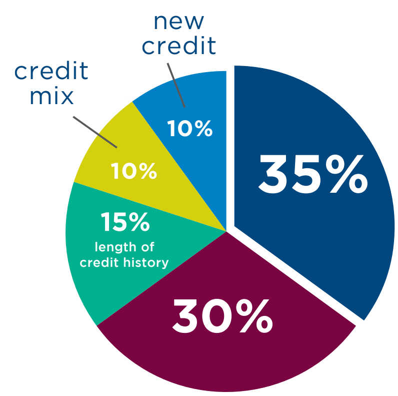
- [ ] Copy of a photo ID (driver's license, government ID, etc.), for most loans
- [ ] Proof of Social Security Number (SSN)*
- [ ] Last 2 years of W2 statements from your employer
- [ ] Last 30 days of pay stubs
- [ ] Last 12-24 months of profit and loss statements (if self-employed)
- [ ] Last 2 months of bank statements (both checking and savings) — all pages
- [ ] Last quarter (3 months) of stocks bonds/mutual funds/401(k) — all pages
- [ ] Name and phone number of your landlord to verify rental payments, if applicable
- [ ] Divorce decree or court order defining alimony or child support payments, if applicable
- [ ] College transcripts (if you graduated within the last 2 years)
- [ ] Information on any deferred student loans
- [ ] Gift letter, if you are gifted money from a friend or family member for the down payment or mortgage

*Contact your loan officer for more information related to Individual Taxpayer Identification (ITIN) loan programs.

IMPORTANCE OF *Your Credit Score*

Lenders use your credit score to estimate your ability to pay back money borrowed.

A high credit score can result in a lower interest rate and save you thousands of dollars in interest paid over the life of the loan.



The Five Factors of Your Credit Score

35% **How you've paid your bills in the past.**

A long history of making payments on time and not missing payments can have the most positive impact on your credit score.

30% **The amount you owe relative to the total amount of credit available.**

People with the best credit scores tend to keep their balances low.

15% **The age of your open credit lines.**

The longer your credit history, the better.

10% **Your current mix of credit cards, retail accounts, finance company loans, and mortgage loans.**

A diverse mix of credit is best.

10% **How many credit applications you're filling out.**

Multiple credit report inquiries can lower your score.

Raising Your Credit Score

The best score to have is 720 or above; individuals with a 720 or higher are viewed as a safe risk, and will typically receive a loan with a lower interest rate.

Making payments on time, lowering your credit card balances, keeping older accounts open, and using discretion when applying for new credit will all help to increase your score.

PRE-CLOSING CHECKLIST

Do's & Don'ts

Do

- Continue to pay all bills on time
- Stay with your current employer
- Continue living at your current residence
- Let your lender know if you are using gift funds
- Keep your pay stubs and other financial documents easily accessible

Don't

- Close any current credit card accounts
- Change jobs
- Make any major purchases (such as vehicles or furniture)
- Change your typical credit card spending habits
- Apply for new credit or allow anyone to check your credit
- Make large deposits or transfers between bank accounts
- Liquidate assets without consulting your lender
- Co-sign a loan for anyone
- Make unusual deposits into your bank account, including cash deposits

FREQUENTLY ASKED *Questions*

Q: What is the first step I should take if I want to buy a home?

A: Get pre-approved! A pre-approval will strengthen your position in a competitive market and help you close faster. Once pre-approved, you can go house shopping and know what you can comfortably afford.

Q: What is the minimum FICO* score needed to purchase a home?

A: Waterstone Mortgage offers loan programs for buyers with FICO scores as low as 580.

Q: What is the highest monthly mortgage payment I can afford?

A: Only you can determine what a comfortable monthly payment amount is, but as a general guideline, plan to spend a fixed percentage of your income on housing. The typical recommendation is to spend about 30% of your gross monthly income (before taxes). For example, if you make $4,000 per month, then your mortgage should be $4,000 x 0.3, or about $1,200.

Q: What documentation will I need to get pre-approved for a mortgage?**

A: You will need your driver's license, tax returns and W2s from the past two years, two consecutive months of bank statements, one month of paystubs, and additional documentation on assets or income that you wish Waterstone Mortgage to consider in your application.

FREQUENTLY ASKED
Questions *(Continued)*

Q: How much money do I need to purchase a home?

A: Down payments vary by loan program. Waterstone Mortgage offers programs that require a low down payment or no down payment at all. In addition to your down payment, there are third-party costs to closing your loan. Oftentimes, buyers negotiate for closing costs to be covered by the seller. Your loan originator will discuss all costs with you in great detail.

Q: What funds can be used for a down payment?

A: Money in your checking or savings account; vested assets in stock, bonds, or mutual funds; retirement funds such as 401(k) or IRA funds, including loans against these assets; and personal gift funds from a family member (please discuss gift options with your loan originator before accepting gifts/depositing gifts in your bank account) are all acceptable forms of a down payment. Cash on hand is not acceptable.

Q: What other costs are associated with my monthly mortgage payment?

A: Depending on your loan and your situation, your mortgage payment will most likely include principal, interest, taxes, mortgage insurance, homeowners insurance, and homeowner association (HOA) fees, if applicable.