



Luminate Bank[®]



Homebuyer Guide

Your Guide to the Mortgage Loan Process

Thank you for the opportunity to assist you in acquiring a mortgage loan. Applying for a home mortgage is one of the biggest and most important financial steps you will take in your lifetime. The mortgage loan process can seem complex to many. Luminata Bank wants to ensure you feel fully educated as you move through this process.

This resource packet will outline the steps that you will be taking with Luminata Bank as you work towards your mortgage loan.

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6 Financial Benefits of Owning a Home

Homeownership is a great responsibility. But it comes with many benefits.

- 1 Equity. Every rent payment builds your landlord's equity, while every mortgage payment builds yours.
- 2 A financial cushion. Your equity can be tapped for anything from home improvements to college tuition.
- 3 **Potentially lower monthly housing costs.** In some markets, your mortgage payment could be lower than your rent.
- 4 Appreciating value. Your home can increase in value over time, building your equity and increasing your net worth.
- 5 Tax benefits. As a homeowner, you can deduct mortgage interest and property taxes from your income. Talk to your tax professional for details.
- 6 Level payments. You'll never have a rent increase again. With a fixed mortgage, your payments remain the same throughout the life of the loan.

Buying vs. Renting

You may be able to own a home for less than what you pay for rent. There are many benefits to owning a home including building equity, increasing net worth and tax benefits.

	Freedom	Equity	Stability
Rent	<ul style="list-style-type: none"> • Landlord restrictions • Pet and guest limits • Maintenance depends on landlord 	<ul style="list-style-type: none"> • Your rent pays your landlord's mortgage • No increase in your equity with rent payment or market value • No tax breaks 	<ul style="list-style-type: none"> • Always the threat of rent increases, future fees, and eviction • Neighbors constantly changing
Own	<ul style="list-style-type: none"> • Paint, decor, appliances - for you to decide! • Do your own upgrades and repairs • Open your home to whomever you would like! 	<ul style="list-style-type: none"> • As you pay down the loan balance, your equity grows • Your home's appreciating value increases your wealth • Deduct mortgage interest and property taxes from your income 	<ul style="list-style-type: none"> • Your mortgage payments end when your loan is paid - and it's your home! • Fewer changes in neighbors, more sense of community • Fixed mortgage payment remains consistent for the life of the loan, allowing you to budget more easily and focus on other financial goals.

Total Rent Paid Over Years

Monthly Rent	in 3 yrs	in 10 yrs	in 15 yrs	in 30 yrs
\$1,000	\$36,000	\$120,000	\$180,000	\$360,000
\$1,500	\$54,000	\$180,000	\$270,000	\$540,000
\$2,000	\$72,000	\$240,000	\$360,000	\$720,000
\$2,500	\$90,000	\$300,000	\$450,000	\$900,000
\$3,000	\$108,000	\$360,000	\$540,000	\$1,080,000

Stop paying your landlord's mortgage. | Start paying for a space of your own.

First-time Homebuyer Services

At Luminare Bank, we seek to strengthen the communities in which we serve by making home buying affordable to first-time homebuyers, allowing you to build the equity needed for a stable financial future.

Education

Education is one of our core values. We empower homebuyers by sharing our expertise as well as resources, tips and words of wisdom you can reference every step of the way.

Communication

From first outreach to ongoing customer support throughout the life of your loan, we're here to answer questions and sooth the concerns that come with such a large financial investment. We'll communicate through your chosen contact method, giving you regular status updates on your loan.

Relationships

We live and work in your community, which gives us special insight into the local loan options available to you.

Tools

From our online mortgage application through to eClose technology, and everything in between, Luminare has the tools you need to make sense of your mortgage.

- Online application
- Fast Track automated income and asset validation
- Real-time loan status notifications
- eClose electronic document signing
- Paperless billing and Auto pay
- Homebot home equity monitoring

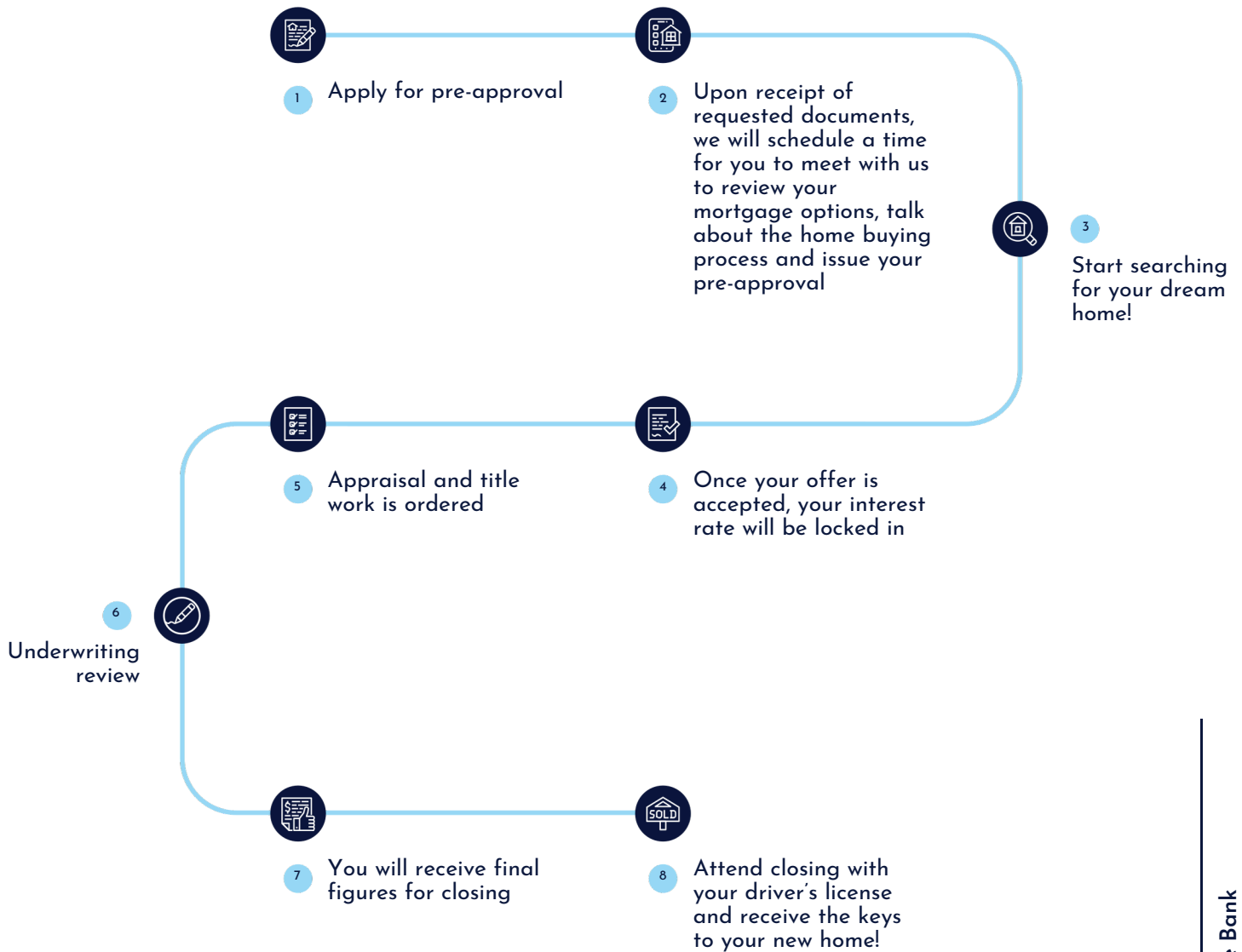


Loan Types

- Conventional
- FHA
- VA
- USDA
- Jumbo
- Renovation
- Builder - New Construction State
- Housing and Bond programs Down
- Payment Assistance FNMA
- HomeReady & FHLMC Home Possible affordable programs



The Homebuying Process



Loan Lingo

Terms	Definition
Adjustable-rate mortgage (ARM)	A loan with an interest rate that will adjust at some time during the term of the loan
Annual percentage rate (APR)	The cost to borrow money expressed as a yearly percentage—includes the interest rate plus other charges or fees
Appraisal	A report that provides an estimate of a property's value
Closing costs	Expenses above and beyond the price of the property (e.g., loan origination fees, discount points, appraisal fees, title searches, title insurance, surveys, taxes, deed-recording fees, etc.)
Closing disclosure (CD)	A document that shows the actual terms and costs of a loan and the projected monthly payment
Debt-to-income ratio (DTI)	Your monthly debt divided by your gross monthly income
Discount points	Interest paid by the borrower to lower the interest rate on the loan
Earnest money	Money a buyer pays the seller to show that they're serious about purchasing the property
Escrow	Also called an impound account, it spreads the combined mortgage costs, property taxes and insurance premiums over the life of the loan into monthly payments
Fixed-rate mortgage	A mortgage that has the same interest rate for the entire term of the loan
Home inspection	A visual examination of a property to determine its condition and to report any repairs needed for a mortgage
Loan estimate (LE)	A document that provides mortgage fee estimates for borrowers during the application process
Loan-to-value (LTV)	Indicates the ratio of the loan amount to the appraised value of the property
Mortgage insurance (MI, MIP, PMI)	Insurance required by some loan programs when the down payment is less than 20 percent of the home's value
Pre-approval	Provided by a lender who has reviewed a borrower's financial documentation and provided a max loan amount
Pre-qualified	A ballpark estimate provided by a lender after discussing a borrower's financial situation
Recording	A formal record of ownership called "the deed", which transfers title and ownership of the property to the purchaser
Underwriting	Final evaluation of the documents needed to secure a loan



Loans to Fit Your Life

Conventional Loans

A conventional loan is a mortgage that is not guaranteed or insured by any government agency, including the Federal Housing Administration (FHA), Farmers Home Administration (aka, USDA) and Department of Veterans Affairs (VA).

- 3 or 5% minimum down payment
- Good Credit
- No upfront fee
- No private mortgage insurance (PMI) with 20% down
- PMI removed at 78% LTV (primary home)

VA Loans

A VA loan is a mortgage loan in the United States guaranteed by the U.S. Department of Veterans Affairs. The VA loan was designed to offer long-term financing to eligible American veterans or their surviving spouses (provided they do not remarry).

- 0% down payment
- Must meet VA enlistment qualifications for program
- Upfront fee to VA is 0.00% of Loan, rolled into loan (VA waives for certain military status/disability ratings)
- No monthly mortgage insurance

FHA Loans

An FHA loan is a mortgage issued by federally qualified lenders and insured by the Federal Housing Administration (FHA). FHA loans are designed for low-to-moderate income borrowers who are unable to make a large down payment.

- 3.5% minimum down payment
- Easier to Qualify, more flexible for lower credit scores
- Monthly mortgage insurance
- Upfront fee to FHA is 1.75% of loan, rolled into loan

USDA Loans

A USDA loan, also known as the USDA Rural Development Guaranteed Housing Loan Program, is a mortgage loan offered to rural property owners by the United States Department of Agriculture.

- 0% down payment
- Property must be located in qualified area
- Maximum household income limit is based on number of occupants (varies by State/ County)
- Upfront fee to USDA is 1.0% of loan, rolled into loan
- Minimal monthly mortgage insurance



What Drives Mortgage Rates?

Here are the 6 main factors that affect home loan rates.

	Rates Go Up	Rates Go Down
Economic Data	<ul style="list-style-type: none"> • Non-farm payrolls higher than expected • Unemployment rate goes down • Better than expected economic data 	<ul style="list-style-type: none"> • Jobs data stagnant or in decline • Manufacturing stagnant or slowing • Housing weaker than expected
Geopolitics	<ul style="list-style-type: none"> • China's GDP improves • Middle East tensions ease 	<ul style="list-style-type: none"> • European economy sinks • Conflicts or acts of terror
Inflationary Pressure	<ul style="list-style-type: none"> • Higher consumer price index • Higher wholesale prices • Hourly earnings higher 	<ul style="list-style-type: none"> • Lower consumer prices • Lower wholesale prices • Hourly earnings lower
The Federal Reserve	Mortgage rates fluctuate when the market reacts to economic announcements and stocks and bonds move, but it's impossible to accurately predict short-term interest rate changes.	Adding cash into the monetary system creates a looser credit environment in an attempt to stimulate the economy through borrowing and expansion.
Stock Market	Stock market on the rise	Stocks in decline
Global Events	A serene landscape around the globe with little catastrophic weather or events	Hurricanes, typhoons, tsunamis and earthquakes

Information is for general illustrative purposes only. The information is believed to be reliable, but Luminata Bank does not warrant its completeness, timeliness or accuracy. Luminata Bank assumes no responsibility for errors or omissions in the information provided.

The Mortgage Loan Dos & Don'ts



DO keep your paystubs, bank statements, and other financial documents handy.

DO make timely payments on all accounts, including rent/mortgage.

DO continue saving incoming statements. Keep all numbered pages of each statement.

DO notify me of any financial, employment, or sales contract changes.

DO let us know if you plan to receive gift funds for closing.

DO understand that times have changed, more documentation is required than in the past.



DON'T change your employment status or job.

DON'T make any big purchases, or apply for new credit, or consolidate debts.

DON'T make any undocumented deposits (example is cash).

DON'T payoff debt, collections or charge-offs without notifying us first.

DON'T ever hesitate to reach out and ask questions, we are here to help make the mortgage process easy!

4 Levels of Approval



Pre-qualification

It's meant to help you decide if you'd like to move forward with your home loan application. You and your lender will talk about your finances to help them give you loan options, and estimate your down payment and monthly payments.



Pre-approval

Your actual documentation is sent to processing, which allows your lender to provide you with a max loan amount. With this, you can confidently start shopping for your home!



Underwriting Credit Approval

The documentation received for pre-approval is processed for validation. Once verified, the credit file is submitted to underwriting for review. With full underwriting credit approval, a contract can be written to close quickly.



Credit Approval Protection*

Credit underwriting approval with Credit Approval Protection* secures your earnest money. If we're unable to close the transaction, we'll pay up to \$1,000 for inspection, appraisal & relocation costs as well as lost earnest money deposits up to \$5,000.

*Subject to requirements listed in the program terms and conditions on the next page.

How Long Do I have to Wait to Borrow Again?

If you've had a bankruptcy, foreclosure, deed-in-lieu or short sale, be aware of required borrowing wait times.

	FHA	VA	USDA	Fannie Mae	Freddie Mac
Chapter 7	2 years	2 years	3 years	4 years	2 years from discharge date or dismissal date with supporting evidence
Chapter 13	min. 12 months with satisfactory payout and court approval	min. 12 months with satisfactory payout and court approval	min. 12 months with satisfactory payout and court approval	2 years from discharge date or 4 years from dismissal date*	2 years from discharge date or dismissal date with supporting evidence
Deed-in-lieu of foreclosure	3 years	min. 12 months acceptable credit history	3 years	4 years	2 years (90% max LTV/CLTV)**
Foreclosure	3 years	2 years	3 years	7 or 3+ years with extenuating circumstances (90% max LTV/CLTV)**	3 years (90% max LTV/CLTV)**
Short Sale	3 years	min. 12 months acceptable credit history	3 years	4 years	2 years from the completion date

*2 years if you can prove extenuating circumstances contributed to bankruptcy. **Loan to Value ratio or Combined Loan to Value Ratio if more than one loan. LTV=mortgage loan amount (or balance) divided by the purchase price or current appraised value of the property.

Preparing for the Loan Process

Items Needed for Pre-approval

- W2s from the last two years
- 1040 Federal Tax Returns from the last two years (all pages)
- If you are a business owner, you will need business tax returns and K1s
- 2 most recent paystubs
- 2 months of recent statements for all assets (checking, savings, money market, retirement, etc.)
- Driver's license or passport
- Other documentation may include: offer letter for employment, school transcripts, social security or pension award letters, divorce decree, bankruptcy papers, short sale documentation.

Information Sent to Your Realtor

We will send an email to your realtor, explaining the program you are approved for, closing costs needed and any other details they may need to know.

Bank Statements

- Full account number, banking institution name and account holder(s) name(s) must be printed on the statement
- All deposits over 15-25% of gross monthly income must be verified.

Earnest Money Documentation

In order to receive credit for your earnest money, please provide documentation that supports the withdrawal from your account as well as a copy of the earnest money check.

Gift Funds

Gift funds (from an acceptable donor) can be used for the down payment and closing costs. We will provide a gift letter which will be signed by the donor and borrower stating the donor/borrower relationship and that no repayment is required.

Talk to the Luminare team about details about what will work best for your situation.

Out of Pocket Expenses

- Earnest money (About 1% of purchase price-consult with buyer's agent for exact amount)
- Property inspection (Typically \$300-\$400)
- Appraisal payment (Typically \$500-\$525)

PLEASE REMEMBER

Continue to manage your credit while going through the mortgage loan process because changes could affect financing.

- Do not change anything with your credit during the pre-approval process or when you start the loan process.
- If you have to change jobs, please inform us right away.
- After you have a purchase agreement, please call your homeowner's insurance agent

Questions to ask your real estate agent

Are you licensed?

Don't assume your agent is licensed. Ask.

How long have you been in the business?

Get an idea of their level of expertise.

Can I see your references?

Like any interview, talk to others who have worked with the agent about their experiences.

Are you part of a team?

Some agents work as part of a larger team. It's good to know if the person you're hiring will always be your point of contact.

How many other clients do you have?

This will give you an idea of how much time they will have to focus on you.

What part of town do you specialize in?

Familiarity in your chosen neighborhood is key.

When are you available for showings?

If you are only available nights and weekends, you need an agent who can accommodate that. Also, you'll want to know if they're OK with you contacting them during those times.

How do you keep in touch?

Some agents check in weekly. Others contact you as needed. Make sure their communication preferences align with yours. Do you like to receive text messages or phone calls? Do you check your email often?

Do you have a real estate focus?

Some real estate agents concentrate on inner city condos, while others are more familiar with the multifamily investor market. If your real estate needs have a niche, you might want to find an agent with expertise in that field.

What are your fees?

Agents typically charge 1 - 4% to represent one side of a transaction. Keep in mind that agents with the most expertise tend to charge more.

Can I review the buyer's agreement in advance?

Are all binding documents transparent and easy to access?

What are the drawbacks of this home?

If you have to ask this question, it may be a red flag. Agents should point out both the positives and negatives of every property they show you. If they only highlight the positives, and brush your concerns under the rug, you may consider if they really have your best interests in mind.

What happens if I cancel an agreement?

This may be a company policy as opposed to one established by individual agent but it is good to know just in case.



9 Tips for a Smooth Loan Closing

Avoid these common pitfalls

- 1 Don't change jobs or become self-employed
- 2 Don't buy a car, truck, or van unless you plan to live in it
- 3 Don't let your credit card payments fall behind
- 4 Don't spend the money you have saved for your down payment
- 5 Don't let anyone else check your credit score
- 6 Don't make any large deposits other than your paycheck
- 7 Don't change bank accounts
- 8 Don't co-sign for anyone
- 9 Don't increase balances on any credit cards

Bonus tip: Last but not least don't buy the furniture just yet. We must verify your credit and employment 10 days prior to closing and that report will show if you have incurred any more debt which could affect your ability to close the loan.

Moving Checklist

3-5 weeks before moving day

- Measure the rooms of your new home to decide your furniture layout Hold a garage sale and donate what you don't sell (get receipts for tax deductions) Get estimates from moving companies Begin to use up all of your frozen and canned food so you have less to move Make a list of contacts who need your new address (see Change of Address Checklist)
- Change your address with the U.S. Postal Service (<https://moversguide.usps.com>)
- Register for new schools and/or day care Find out if your moving expenses are tax deductible (check with your tax professional) Contact your insurance agent to make sure everything is covered during the move

1-2 weeks before moving day

- Collect boxes and packing materials
- Start packing things you won't need for the next month
- Confirm date and time with movers
- Create a floor plan for the movers to show where things should go
- Transfer your bills, bank statements, subscriptions, etc. to your new address
- Schedule your telephone, utility and appliance installations in your new home
- Pack everything that will not be packed by a mover
- Discontinue newspaper service
- Contact your insurance agent to make sure everything is covered during the move

Moving Day

- Pack up essentials needed for moving day (scissors, garbage bags, soap, toiletries, basic tools, snacks)
- Pack valuables like jewelry and electronics in your own car
- Leave keys, garage door openers, appliance manuals, etc. at old home
- Set up bedding first, so when you're tired your bed is ready for you
- Make multiple keys of your new home

What's included in your mortgage payment

While mortgage payments vary depending on the loan program and other factors, here's how to know what you're paying for, and what's left out.



A typical payment breakdown

Principal: The amount that pays the mortgage loan balance. This will increase as the interest amount decreases.

Interest: The ongoing cost of borrowing the money in a mortgage loan. This will decrease as the principal amount increases.

Taxes: Real estate or property tax amounts are decided through your property assessment, state and local laws. This is the same regardless of your mortgage amount.

Insurance: Homeowners or hazard insurance amounts are decided by the coverage plan you choose with your insurance company.

Note: Taxes and insurance payments can be held in an escrow account, so if you chose to do so they are always paid on time. This is not required on every loan.

Additional payments

Mortgage insurance: Some loan programs also have mortgage insurance, which is affected by the size of your mortgage and the down payment you can afford. It will be included in the insurance section of your payment.

Homeowners Association (HOA) fees: This is leveraged by the community you choose to live in and will not be included in your mortgage payment. If you do live in a community with an HOA, you should factor the cost of community upkeep into your monthly budget.

Setting a monthly budget and sticking to it not only helps you stay financially secure; it helps you plan for the future.



Why Luminate?

When it comes to mortgage lending, people have never had more options. But what's not an option right now is a lender that's focused on treating people like people, even if we don't meet face-to-face.

We desire to help illuminate the path to the best mortgage decision for each of our clients while providing competitive rates and a variety of loan programs to help fit your needs.

When we strive for these, it becomes the essence of our culture and what we do in and day out along the path of providing you with an unmatched mortgage experience.

Core Values

We're driven by the fire from within.

**OWN IT.
GET IT DONE.
EMBRACE CHANGE.
BE REAL.
WIN TOGETHER.**

Ready to get started?



Dave and Lisa Hintermeister

Mortgage Loan Originators

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