



**Peoples Bank**  
*A higher level of service.*  
**Welcome Home Loan Guide**

## **Introduction**

Our Welcome Home Loan Guide provides valuable information that will help you become a more informed home loan customer— whether you're buying your first home or building your dream home.

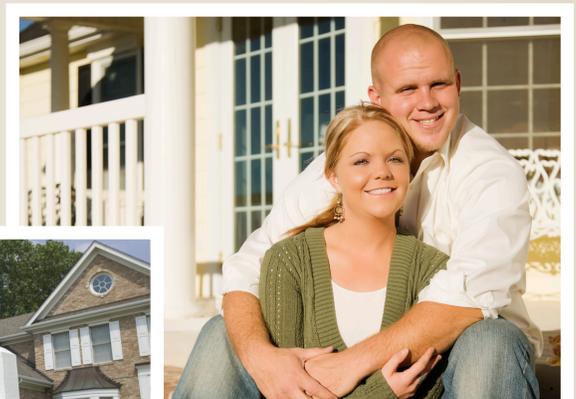
## **About Peoples Bank**

There are countless reasons to choose Peoples Bank for your home loan - from local loan decisions and on-time closings to great rates and fair terms - but we think the best reasons are our People. Our best-in-the-business team of loan professionals are ready to assist you every step of the way.

**The welcome mat is always out at the Peoples Bank nearest you.  
Or call (800) 584-8859 for more information.**

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## Getting Started in Today's Market

Low inventories and short listing times can make purchasing a home challenging, however, historically low interest rates make right now one of the best times to be a homeowner.

There are many benefits to homeownership including building equity over time, tax benefits, building credit and not to mention the pride and security that comes with owning the roof over your head. Today, there are more sensible choices than ever before that will allow you to find a mortgage that best fits your pocketbook and housing needs.

*If you're just getting started, consider the following points.*

- Figure out if you can afford to buy. This may seem obvious, but having a realistic picture of your financial situation is a must.
- Your Peoples Bank loan officer can help you determine how much you can afford to buy based on current rates, your credit history, income, other expenses and available down payment.
- Choose a trusted institution. While federally insured banks are required to operate under a high level of regulatory supervision, many other lenders do not. Choose the safety and integrity of Peoples Bank. Since 1921, Peoples Bank has been serving the needs of local customers. Peoples is insured by the FDIC and rated five stars by Bauer Financial.\*

\*Ratings as of October 2016. Visit [BauerFinancial.com](http://BauerFinancial.com) to learn more.

*Organize your finances before you go to the bank. Here are the minimum requirements.*

- Pay stubs.
- Tax returns.
- Financial statements (one that is less than 60 days old).
- Any other information (such as proof of additional income) that you think will help your banker to evaluate your credit request positively.

Pay off or pay down other loans. Credit cards, auto loans or other small loans should be paid off or significantly paid down before you look for a mortgage. Reducing the amount you owe can increase your credit score and qualify you for a larger mortgage or lower interest rates. Many factors impact your credit score. Your loan officer can help you determine the best strategies for reducing debt and improving your overall score.

Consider all the costs. Your loan officer will review costs like fees, closing costs, points, homeowners insurance, and taxes. But you should also consider repairs and ongoing maintenance costs. As a homeowner, you are responsible for those additional costs - there won't be a landlord to call.

When in doubt, ask questions. If there is something you don't understand, don't be afraid to ask. It is your loan officer's responsibility to ensure you fully understand the terms and conditions of your loan.

## Choosing the Product That's Right for You.

Whether buying, building or refinancing, choose a loan product that fits your lifestyle.

### *Fixed-rate Mortgage.*

With a fixed-rate mortgage, the interest rate is set for the term of the loan. An advantage of this type of loan is that it provides predictable housing costs for the life of the loan. Typical fixed-rate mortgages are 30-year fixed, 15-year fixed and 40-year fixed. The shorter the term of the loan, the less interest you will pay over the life of the loan and the faster you will build equity. However, your monthly payments will be higher for a shorter period of time versus longer-term mortgages.

### *Adjustable-rate mortgages (ARMs).*

The adjustable-rate mortgage originated during a time of high interest rates that kept many people out of the housing market. ARMs offer lower "initial rates" by sharing the future risk of higher rates between borrower and lender. ARMs can be an advantageous financing choice under certain conditions, such as rising income expectations and short-term ownership. However, because interest rates and payments can increase either steadily or irregularly, homebuyers considering this type of mortgage should be prepared financially for a possible increase in rate and/or payments.

### *One-Step Construction Loans.*

In contrast to traditional mortgages, where you make the same payments of principal and interest each month during the entire term of the loan, construction loans offer an initial period during the construction period which you pay only the interest payment. After the interest-only period, the loan converts to payments of both principal and interest with a fixed rate.

If you're still looking for options, these specialized loans and programs may be a good choice.

### *Federal Housing Administration loans.*

If you can only afford a small down payment or you're a first time homebuyer, a Federal Housing Administration government loan (also known as an FHA loan) could be right for you.

### *Veterans Affairs loans.*

If you served or are serving in the U.S. military, you may be eligible to receive a Veterans Affairs (or VA) government loan.

### *USDA Rural loans.*

If you live in a rural area, you may be eligible to receive a zero down payment loan with a USDA guaranteed loan. Your loan officer can help you determine if your home is in a qualified location.

## The Mortgage Loan Process

- 1. Pre-qualification.** Before you begin looking for your home, meet with your loan officer to determine your buying power. Knowing how much you can afford helps you and your real estate professional focus on the homes in your price range.
- 2. Mortgage Application.** Arrange for a meeting with your loan officer. At that meeting, you'll complete and sign the mortgage loan application. Upon completion of the application, you'll be asked to make an application deposit, which will be applied to the cost of your loan.
- 3. Good Faith Estimates and Other Disclosures.** Within three business days of receiving your application, you will receive two documents: a Good Faith Estimate of your closing costs and a Truth in Lending Statement. The Truth in Lending Statement provides you with valuable information including term, costs of your loan, amount you plan to borrow and the annual percentage rate (APR).
- 4. Processing:** Your loan officer works with a team of processors at the Bank to collect the necessary information, including ordering an appraisal and verification of income and employment.
- 5. Underwriting:** The underwriter is the person who recommends whether or not you qualify for the loan. In addition, the underwriter will analyze the information collected by the loan officer and processor to ensure it supports the information provided on the initial application.
- 6. Closing. The big day!** At closing, you'll sign all the necessary loan documents. Your closing agent will advise you to wire or bring a certified check for the down payment and any remaining closing costs.





## Tips for Building Your Home

Planning and building a new home can be one of the most rewarding and satisfying experiences of a lifetime. It can also be frustrating without careful planning and preparation. Building a new home begins long before the foundation is poured. To avoid costly mistakes during the construction process, start with these five important steps.

### *1. Plan Your Budget*

Begin now to think about how much you can afford to spend when building your new home. To get pre-qualified, see a Peoples Bank loan officer.

Don't over estimate your borrowing power and your availability of reserve funds. Leave yourself some financial breathing room. New construction projects almost always cost more than expected.

### *2. Choose Your Home Site*

Whether you're building your home in a suburban development or a site with sweeping ocean views, you'll almost always need to choose the land before you begin the design phase. Be advised; the more complex the building site (Steep terrain, remote locations, raw or undeveloped land, etc.), the more costly the project.

### *3. Line Up Your Team*

You will need a team of experts to design and construct your house. Key players will include a home designer or an architect and a licensed and insured homebuilder. Many homeowners begin by selecting the builder or contractor. That professional then selects other members of the team. However, you may also opt to hire an architect or designer first. In either scenario, select your team carefully; the best method is to be referred to a builder or architect by someone who has used their services in the past. Go see the builder's and architects work, get additional references and follow through with your investigation.

Some choose to fill the contractor role, also known as owner-builder. If this is your plan, the project becomes far more complex and puts you in the position to identify all of the components of the project, find the sub-contractors and suppliers, bid the job and manage the process.

#### ***4. Pick a Plan***

**Stock plan:** Choose from a catalog of proven designs. In this case, the builder or a home designer may make minor modifications to suit your needs or unique local or regional code requirements.

**Custom Home:** A custom-designed home, on the other hand, is created specifically for the family who will live there. In most cases, custom-designed homes require the services of a licensed architect. This route is typically more expensive, however the home is uniquely your own.

Whether you opt for a stock or a custom design, you'll be wise to choose a plan that will meet your needs for years to come.

#### ***5. Negotiate a Contract***

Be sure to get a written contract that has been signed and dated by both the builder or contractor and the architect or designer. A contract for new home construction will describe the project in detail and include a listing of all the parts and the quality of the finishes to be included in the house.

Most lenders will require a fixed-rate contract, where the builder guarantees the delivery of the home as planned and specified for a specific price, regardless of the cost to him. Not all costs will be fixed however; it is common for contracts to include "Allowance Items". If the actual cost of the item exceeds the allowance, you will be responsible for the excess amount.

One more point about allowance items, this is the area where you, as the homeowner, have control over cost. Start with realistic budgets for those items and stick with them, avoid "budget creep"!

Insist on establishing a contingency budget of no less than 10% of the contract or budget amount. This will either alter the size of the loan you will need or the amount of cash you contribute. This is an essential ingredient for minimizing the risk of financial shortfall and project failure.



## Our Last Bit of Advice

The advice, knowledge and insight our local, professional loan officers, underwriters and processors have proven invaluable. It's important to know and trust that your home loan comes with more than money. It comes with the assurance that the right things will be done and your investment will be a solid one for all the years you own your home.



Put the power of Peoples Bank to work for your next home loan.

