Purchasing Your Home

HOMEOWNER GUIDE

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You will use several standard forms when you buy your new home. These include the purchase agreement and several addenda. The purchase agreement becomes binding only when all parties have signed all forms and attachments. If you are new to the United States, Classic Homes welcomes you and understands that you may be unfamiliar with our business procedures and traditions. We will gladly discuss any questions you may have about us and the business practices we will be following.

After signing the purchase agreement, the next step is selecting a lender and completing a mortgage application — ideally within seven business days. The two are tightly linked: your purchase agreement informs every part of your loan application.

What's in this guide

This guide is organized into two parts:

- **Purchase Agreement** — the legal document that records your decision to buy and our commitment to build, plus the addenda that accompany it and the meeting where it all comes together.
- **Arranging Your Loan** — selecting a lender, preparing your documentation, navigating underwriting, and what to avoid between approval and closing.

Key terms

Purchase Agreement — the legal agreement that documents your decision to buy a home and our commitment to build it for you; typically includes the contract and several addenda.

Addenda — in addition to the purchase agreement, each community has specific disclosures, such as metro district disclosures.

Purchase Agreement Meeting Details — for each routine meeting, we provide a table summarizing practical matters such as purpose, location, duration, and preparation hints.

Preparation — a list of the documents and information typically needed to complete a mortgage application.

Loan Application Paperwork — an overview of the forms involved in processing your application.

Loan Underwriting — key points to be aware of regarding the loan approval process; take special note of contingencies that may apply.

Loan Lock — lock your loan only after Classic Homes has provided you with a written delivery date confirmation.

Loan Closing — avoid changes to your financial circumstances to protect your loan approval.

Down Payment Worksheet — to assist you in determining the amount you have available for your down payment.

Monthly Payment Worksheet — to assist you in estimating the monthly payment amount for your new home mortgage.

Purchase Agreement

Purchase Agreement

The purchase agreement is the legal document that represents your decision to purchase a home. It describes your home (both a legal description and the street address), financing information, homeowner association information (if applicable), and additional legal provisions. We recommend that you read these documents carefully. Addenda vary by community, but the list that follows describes common items.

The purchase agreement becomes binding only when all parties have signed all forms and attachments.

In this section

- **Addenda** — Exhibit C (an unsigned copy of the Limited Warranty), Exhibit D (homeowner association documents where applicable), and other community-specific disclosures.
- **Meeting Details** — practical details for the purchase agreement meeting: when, where, who attends, and how long.

About this Homeowner Guide

This book is your Homeowner Guide. The information it contains, along with documents you will add along the way, will be helpful throughout the building process and serve as a useful reference after your move in.

Addenda

In addition to the purchase agreement itself, each community has specific addenda and disclosures. The list below describes common items; the exact set of addenda you receive will vary by community.

Exhibit C — Limited Warranty

The Classic Homes Limited Warranty is provided as an unsigned copy for your review. The actual warranty is executed at closing. See the full warranty documentation for coverage details, your responsibilities, and the repair process.

Exhibit D — Homeowner Association Documents

Homeowner Association documents are included where applicable. These describe community rules, fees, covenants, and any metro district arrangements.

Other community-specific addenda

Each community may include additional disclosures, such as metro district disclosures, mineral rights disclosures, or other items required by local regulation. Your New Home Specialist will walk through any community-specific addenda during the purchase agreement meeting.

Purchase Agreement Meeting Details

The purchase agreement meeting is where you formally document your decision to purchase, walk through the new home process, and discuss any open questions.

Item	Detail
Appointment Set by	New Home Specialist
Appointments Available	Monday through Saturday, between 10:00 a.m. and 5:00 p.m. Sunday between noon and 5:00 p.m.
Where	Community sales office
Attendees	Purchasers, New Home Specialist. When applicable, a real estate agent is welcome but not required to attend.
Length	2–3 hours, depending on your questions
Purposes	Document your decision to purchase a new home. Provide an overview of the new home process. Discuss any questions you have.
Preparation	List any questions you wish to discuss. Arrive prepared to make your earnest money deposit.

Arranging Your Loan

Arranging Your Loan

The first items you'll need to address are selecting a lender and completing a mortgage application. Plan to accomplish this within seven business days of signing your purchase agreement (p. 5). Take the completed purchase agreement with you when you first visit your lender.

Working with a preferred lender

Classic Homes offers you the advantage of working with one of our preferred lenders. The benefits include:

- Established lines of communication.
- Loan officer's familiarity with our processes and paperwork.
- Our lender's commitment to being ready to close on time.

Whether you work with one of our preferred lenders or another mortgage company of your own choosing, your lender's job is to understand your particular financial circumstances completely. You will review all information on the application at your meeting with the loan officer.

A situation rarely arises that your loan officer has not encountered in the past. Do not hesitate to discuss any questions you have regarding your assets, income, or credit. By providing complete information, you prevent delays or extra trips to deliver documents.

In this section

- **Preparation** — the checklist of documents and information you'll need to gather before applying.
- **Loan Application Paperwork** — the verification forms, loan estimate, credit report, and appraisal.
- **Loan Underwriting** — what to expect during approval, including contingencies.
- **Loan Lock and Closing** — when to lock your rate and what to avoid between approval and closing.
- **Worksheets** — down payment and monthly payment estimators.

Preparation

The amount of documentation and information required for a mortgage application can seem overwhelming. You can facilitate the application process by collecting as much of the needed information as you can before you begin the online application or appointment with your lender.

The checklist below is a general guide and will get you off to a good start. Some of the items listed may not apply to your circumstances, and your lender may request additional items unique to your situation.

Credit report

Please note that you will be asked to pay for a credit report and an appraisal upon signing the mortgage application. Your loan officer will advise you of the total when you set the appointment.

Property information

- The purchase agreement will include the legal description of the property and the price.

Personal information

- Social Security number and driver's license for each borrower
- Home addresses for the last two years
- Divorce decree and separation agreements, if applicable
- Trust agreement, if applicable

Income

- Most recent pay stubs
- Documentation of any supplemental income such as bonuses or commissions
- Names, addresses, and phone numbers of all employers for last two years
- W-2s for last two years
- If you are self-employed or earn income from commissioned sales, copies of the last two years' tax returns with all schedules and year-to-date profit and loss for current year, signed by an accountant
- Documentation of alimony or child support, if this income is to be considered in qualifying for the loan

Real estate owned

- Names, addresses, phone numbers, and account numbers of all mortgage lenders for the last seven years
- Copies of leases and two years of tax returns for any rental property
- Market value estimate

Liquid assets

- Complete names, addresses, phone numbers, and account numbers for all bank, credit union, 401K, and investment accounts
- Copies of the last three months' statements for all bank accounts
- Copies of any notes receivable
- Value of other assets such as auto, household goods, and collectibles
- Cash value of life insurance policies
- Vested interest in retirement funds or IRAs

Liabilities

- Names, account numbers, balances, and current monthly payment amounts for all credit cards
- Names, addresses, phone numbers, and account numbers for all installment debt and approximate balances and monthly payments for such items as mortgages, home equity loans, and auto loans
- Alimony or child support payments
- Names, addresses, phone numbers, and account numbers of accounts recently paid off, if used to establish credit

Loan Application Paperwork

Once you have given all preliminary information to your loan officer, your lender sends verification forms to your employers, banks, and current mortgage company or landlord, and also orders the credit report and appraisal. You sign a release to authorize these steps. Your lender will provide you with a Loan Estimate.

Loan Estimate

The Loan Estimate lists the estimated costs you will incur at closing. Some of the numbers listed on this form are prorations, subject to change based on the actual date of the closing. Others are set fees that should remain the same. The Loan Estimate will show you the estimated payment and estimated cash to close. There is also a comparisons section that will show you how much you will have paid in five years, the Annual Percentage Rate (APR), and the Total Interest Percentage (TIP) that you will pay over the loan term.

Verification of Employment (VOE)

The lender sends Verification of Employment forms to all employers for the last two years. The employers complete, sign, and return the forms to the lender. The forms show the dates of employment, the amount of money you earned last year, and how much you have earned so far this year. The VOE also documents bonuses and overtime you earned.

Verification of Deposit (VOD)

Verification of Deposit forms go to each banking institution listed on your application. The institutions indicate the date you opened each account, average balances for the last three months, and the amount of money you have in each account on the day they complete the form. Any loans or overdraft accounts you have with the bank will also be shown.

Verification of Mortgage/Rent Payment (VOM)

Mortgage companies and landlords complete Verification of Mortgage forms. These show the lender how much you owe, the amount of your monthly payment, and whether you make your payments by the due date.

Credit Report and Appraisal

Your credit report shows the amounts of money you owe to each of your creditors, minimum monthly payments, and your payment history. The appraisal confirms the value of the home you are purchasing for you and your lender.

Loan Underwriting

Typically, several weeks pass as the verification reports and forms are returned to the lender. If any delays are encountered, the loan officer may contact you for assistance. The credit reporting agency may also call you to verify that the information they have gathered is correct.

Once the loan processor has collected this standard documentation, you may be asked to write letters describing your assets, income, or credit. Few loans are finalized without requests for additional information just before the package is submitted to the underwriter for final approval. At this point you may become frustrated with the loan process.

Please remember that your lender requests these letters to assist you in obtaining your financing. Do not hesitate to discuss any concerns with your loan officer. He or she can often provide additional insight on what may seem to be redundant requests.

Loan Amount Requested

Before the processor submits your file to the underwriters for final approval, he or she will verify the final sales price. Make sure that you provide copies of all change requests to your lender. This assists the lender in determining the exact loan amount. If change requests affect the total price after this point, you may have to resubmit your loan application for the higher amount, or the lender may require that you pay for the additional items in cash.

Loan Approval

During your first meeting, you and your lender determine the timing to obtain prequalification. This allows us to start the home even though final approval is still pending. You will discuss additional items that you may need to obtain final loan approval. Several weeks after your first meeting with the lender, you should receive loan approval. If any of the documents requested have not been returned to the lender in a timely manner, approval may take longer.

Contingencies

Loan approvals often carry conditions of approval. The sale of a previous home or proof of funds are two examples. Discuss any concerns you may have about such conditions with your loan officer and obtain any requested documentation as soon as possible. Once all contingencies are met, the final loan can be approved.

Loan Amount Approved

If you qualify for an amount that is less than you requested, ask your loan officer what changes might qualify you for a larger loan. Or, consider omitting some items now (such as a deck or finished basement) and adding them to your home later. Another possibility is to talk to another lender who offers different programs with different requirements.

Loan Declined

If, after your best efforts, you are not approved for a loan within 10 days of signing your purchase agreement, in accordance with the terms of that agreement, Classic Homes will refund your initial deposit upon your signing a release letter and returning this Homeowner Guide to the sales office.

Loan Lock and Closing

Loan Lock

The only thing anyone knows for certain about interest rates is that they will change. Do not rely on anyone's predictions regarding rates. Locking your rate prematurely can result in extra expense if your new home is not complete in time to close within the lock period. We will update you throughout the process of construction on the target delivery date.

Until we reach a point in construction where factors outside our control can no longer affect the delivery date of your home, the decision to lock your loan is at best a gamble.

> **Lock only after written delivery date confirmation**
>
> Lock your loan only after Classic Homes has provided you with a written delivery date confirmation.

Loan Closing

Between the date your loan is approved and the date of your closing, remember that any significant changes in your financial circumstances could impact your loan approval.

Please note that if your closing occurs more than 30 days after the lender issues your loan approval, the lender may order an additional credit report just prior to the closing date.

Changes in your financial circumstances — for example, purchasing a new car or significant increases in your credit card balances — will appear as a new liability on your updated credit report. Such changes may cause your lender to reconsider your approval. Holding off on such purchases until after closing is best.

Avoid financial changes before closing

- Don't open new credit accounts.
- Don't make large purchases on credit (cars, furniture, appliances).
- Don't change jobs if it can be avoided.
- Don't move money between accounts in untraceable ways.
- Don't co-sign loans for anyone else.

Worksheets

Two worksheets are provided to help you estimate the financial side of your purchase. Ask your New Home Specialist or loan officer for printable copies.

Down Payment Worksheet

The Down Payment Worksheet helps you determine the amount you have available for your down payment. It walks through your liquid assets, accounts for any earnest money already paid, and arrives at a figure your lender can use.

Categories typically considered:

- Cash in checking and savings accounts
- Money market funds
- Investment accounts available for liquidation
- Gift funds (with documentation)
- Earnest money already deposited
- Proceeds from the sale of a previous home (when applicable)

Monthly Payment Worksheet

The Monthly Payment Worksheet helps you estimate the monthly payment amount for your new home mortgage. The estimate includes the major components of "PITI":

- **P**rincipal and **I**nterest — based on the loan amount, term, and interest rate
- **T**axes — property taxes prorated monthly
- **I**nsurance — homeowner's insurance, and PMI if applicable

For a community with a homeowner association or metro district, add the monthly dues or mill levy to your estimate.

Estimates only

These worksheets produce estimates. Your loan officer will provide an official Loan Estimate once your application is in process.