



The Next Stage[®]

Your Repeat Homebuyer's Guide

Homebuying Solutions to Help You Move Forward

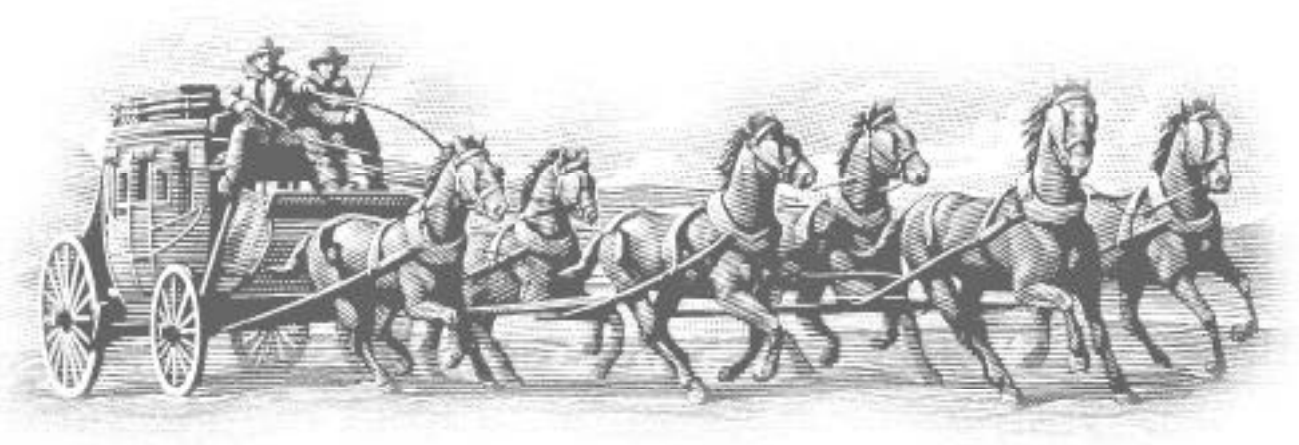


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Moving Up

Whether you're ready or not, as life changes, so do your housing needs. Families grow. Careers unfold. Lifestyles shift. One way or another, your circumstances change, and you may find yourself looking for a more comfortable home, one that's in a new locale, or just a better place for your current living pattern.

At Wells Fargo Home Mortgage, the home financing process has changed, too. We can make moving to your next home easier with our **Personalized Solutions**[®]. Our vast menu of home financing options includes minimal documentation programs, fast approval decisions, low down payment programs, and flexible rate, term, and closing cost options. Apply when and how it's convenient for you — on line, over the phone, or in person.

Financing a home is not a once-in-a-lifetime decision, and the financing package you used to buy your first home may not meet your needs the next time around. Our experienced home mortgage consultants will help you find a home financing solution that supports your current and future homeownership goals.

The majority of American homeowners purchase multiple homes in their lifetimes. Each time you buy a home, you need to reevaluate your needs and goals. So whether you are trading in your first home for a larger one nearby, relocating for the tenth time, or looking to move to a new area for a lifestyle change Wells Fargo Home Mortgage is here to help. As the number one retail mortgage originator in the nation¹, providing funds for approximately one out of every eight homes financed in America¹, we have the products and the expertise to help you reach your dreams.

Finding the Right Home

Should I Buy or Build?

One of the first decisions you will have to make in your home search is whether to purchase an existing home or build a new one. Each approach offers unique advantages, and your individual lifestyle, financial goals, and schedule will determine which is best for you.

Common reasons for moving up to a newly built home include:

- New homes are built with new materials and appliances, so they typically require less maintenance than resale homes.
- They often must offer more safety features and fewer health hazards in order to conform to today's building codes.
- New homes are usually well-insulated due to better windows, more efficient heating and cooling equipment, and greater use of insulation.
- They can be easier to customize than resale homes because you choose many details ranging from floor plans and paint colors to faucets and light fixtures.
- New homes are more likely to be wired with new technologies in mind, such as multiple phone lines, high-speed Internet connections and extra cable outlets.

Existing homes, on the other hand, are attractive to many buyers for the following reasons:

- Older houses and neighborhoods may have more character and charm.
- They typically have more land than newer properties due to changes in land-use patterns.
- The homes are often in older, more convenient metro areas rather than in outlying suburbs.
- They tend to be less expensive than new properties and more likely to include items that may cost extra with a new home, such as blinds, landscaping, built-ins, etc.

¹ Based on 2003 year-end statistics by *Inside Mortgage Finance*, 1/30/04.

Depending on the state, resale homes may have lower property tax rates.

If you do decide that a newly built home is best for you, remember that a construction project requires careful planning. To make sure yours goes smoothly, keep a few basic tips in mind:

- Decide which features you want in advance. Consider whether you want to customize the floor plan or even order particular home appliances through the builder.
- Check the builder's reputation. Your local Better Business Bureau, builders association, and newspaper all provide listings for builders. You can check out prospective builders by visiting their construction sites, getting references from previous clients, talking to real estate agents, or even hiring a general contractor for an assessment.
- Consider signing a written contract. Many homebuyers sign contracts with builders that detail the house model, building options, materials, payment schedules, timing for completion of construction and how to resolve disputes. Consult with your real estate professional and lawyer to help you through the contract and negotiation process.

Wells Fargo Home Mortgage is **America's #1 new construction lender**², with a variety of financing programs designed for borrowers who are building their homes from scratch. Once you decide to build a home, our Wells Fargo Home Mortgage consultants can suggest a personalized financing program to match your needs.

Ask about two of our most popular construction loans:

- The **Construction/Perm Advantage**SM lets you buy the land, close your construction loan and secure permanent financing all in one day! And when the construction is complete you have an option to increase or decrease your loan amount, and even change to a different loan type.³
- With the **Builder Best**SM program, you can protect yourself from rising interest rates while your home is under construction and enjoy the flexibility of our adjustable-rate loan products.

² Based on 2003 year-end Marketrac report.

³ Change of loan product may require underwriting approval.

What to Look for in a Home

Your experience as a homeowner has probably given you a good idea of what features you like and don't like in a house. Your personal tastes, and those of your family, are what will inspire your choice of homes, so the first step is to recognize those preferences and make sure you start your home search with everyone's needs in mind. Even if you're taking the "I'll know it when I see it" approach to selecting a home, it's helpful to think about what features are most important to you.

Begin by asking yourself some leading questions, and understanding the priorities of everyone who will share the house with you. Use this wish list to help clarify what you value most in a home, and give more direction to your search.

1. What age home would you like?
 Older Home New Home Other _____
2. What style of home appeals to you most?
 Rambler/Ranch Style Traditional Two Story Split Level
 Contemporary Manufactured Home Other _____
3. What type of construction do you prefer?
 Wood Siding Vinyl Siding Aluminum Siding Brick
 Stucco Stone Other _____
4. What size lot are you looking for?
 Small Medium Large Not important
5. How many bedrooms do you need?
 1-2 2-4 Other _____
6. How many bathrooms do you need/want?
 1-2 2-3 Other _____
7. Is having a separate laundry room important to you? Yes No
8. Is having a separate dining room important to you? Yes No
9. Is having a fireplace important to you? Yes No
10. Is having a garage important to you? Yes No
11. If having a garage is important to you ,do you want a:
 1 Car Garage 3 Car Garage Attached Garage
 2 Car Garage Garage with Workstation Detached Garage
12. Is central air conditioning an important feature to you?
 Yes No
 Wall Units Okay Window Units Okay
13. Do you prefer gas, oil or electric heat?
 Gas Oil Electric Doesn't Matter
14. Do you need a fenced yard? Yes No
15. Is it important that you be near public transportation? Yes No
16. Do you want to be in a specific school district?
 Yes No
 Not Important If so, name of school: _____
17. How close do you want to be to your place of employment?
_____ Miles _____ Hours Not Important

House Tour

Once you've identified what features you're looking for, print a few copies of this House Tour checklist to bring along as you visit prospective homes. Having a record of what each home offers can make your final decision much easier.

Address _____
 Price _____ Property Taxes _____
 Age of Home _____

Style of Home

- | | | | |
|---------------------------------------|-----------------------------------|--------------------------------------|--------------------------------------|
| <input type="checkbox"/> Two Story | <input type="checkbox"/> Ranch | <input type="checkbox"/> Split Level | <input type="checkbox"/> Traditional |
| <input type="checkbox"/> Contemporary | <input type="checkbox"/> Cape Cod | <input type="checkbox"/> Townhouse | <input type="checkbox"/> Condo |

Type of Construction

- | | | | |
|---------------------------------------|--|--------------------------------|---------------------------------|
| <input type="checkbox"/> Wood | <input type="checkbox"/> Brick | <input type="checkbox"/> Stone | <input type="checkbox"/> Stucco |
| <input type="checkbox"/> Vinyl Siding | <input type="checkbox"/> Aluminum Siding | | |

Interior Features

Total Bedrooms		Total Bathrooms	
<input type="checkbox"/> Living Room	<input type="checkbox"/> Family Room	<input type="checkbox"/> Great Room	<input type="checkbox"/> Dining Room
<input type="checkbox"/> Eat-in Kitchen	<input type="checkbox"/> Pantry	<input type="checkbox"/> Disposal	<input type="checkbox"/> Refrigerator
<input type="checkbox"/> Gas Range	<input type="checkbox"/> Electric Range	<input type="checkbox"/> Wall Oven	<input type="checkbox"/> Dishwasher
<input type="checkbox"/> Laundry Room	<input type="checkbox"/> Washer	<input type="checkbox"/> Dryer	<input type="checkbox"/> Skylights
<input type="checkbox"/> Whirlpool Tub	<input type="checkbox"/> Soaking Tub		
Good Closet Space	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
Basement	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Finished
Flooring	<input type="checkbox"/> Carpet	<input type="checkbox"/> Hardwood	<input type="checkbox"/> Tile

Utilities

Type of Heating			
<input type="checkbox"/> Hot Water	<input type="checkbox"/> Gas	<input type="checkbox"/> Electric	<input type="checkbox"/> Oil
Insulation			
<input type="checkbox"/> Fiberglass	<input type="checkbox"/> Cellulose	<input type="checkbox"/> Foam	<input type="checkbox"/> None
Central Air	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
Plumbing Condition	<input type="checkbox"/> Good	<input type="checkbox"/> Fair	<input type="checkbox"/> Poor
Sump Pump/Drainage System	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
Connected to Sewer System	<input type="checkbox"/> Yes	<input type="checkbox"/> No	

Age of Heating System _____
 Age of Water Heater _____ Capacity _____
 Age of Electrical Wiring _____

Exterior Features & Neighborhood

Backyard Area		Front Yard	
<input type="checkbox"/> Patio	<input type="checkbox"/> Deck	<input type="checkbox"/> Porch	<input type="checkbox"/> Pool
<input type="checkbox"/> Fence	<input type="checkbox"/> Landscaping	<input type="checkbox"/> Expansion Ability	
Garage			
<input type="checkbox"/> 1 Car	<input type="checkbox"/> 2 Car	<input type="checkbox"/> 3 Car	<input type="checkbox"/> Detached
Roof Condition	<input type="checkbox"/> Good	<input type="checkbox"/> Fair	<input type="checkbox"/> Poor
Sidewalks	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
Well Maintained Neighborhood	<input type="checkbox"/> Yes	<input type="checkbox"/> No	

Easy Proximity to:

- | | | | | |
|-----------------------------------|--|--|--|---|
| <input type="checkbox"/> Work | <input type="checkbox"/> Schools | <input type="checkbox"/> Shopping | <input type="checkbox"/> Airport Area | <input type="checkbox"/> Industry |
| <input type="checkbox"/> Highways | <input type="checkbox"/> Houses of Worship | <input type="checkbox"/> Train Station | <input type="checkbox"/> Public Transportation | <input type="checkbox"/> Doctors/Dentists |

Real Estate Listings Decoder

Browsing through real estate ads sprinkled with unfamiliar abbreviations can be a challenge. Translate home features and selling points easily with this handy Listings Decoder.

Exterior House/Yard

AC	Acre
ALUM	Aluminum Siding
ANQ	Antique House
ATT	Attached Garage
CLPD	Clapboard
COL	Colonial
CONT	Contemporary
CRPT	Carport
DET	Detached Garage
DK	Deck(s)
FEN	Fenced Yard
GZBO	Gazebo
IGPL	Inground Pool
MED	Mediterranean
RNCH	Ranch
RR	Raised Ranch
SCPD	Landscaped
SHNGL	Shingle
SPLT	Split Level
STY	Style of House
TWNHS	Townhouse

Interior Rooms

BA	Bath (with #BA)
1/2B	Half Bath
BR	Bedrooms (with #BR)
BSMT	Basement
DR	Dining Room
FIN	Finished (attic, basement)
FOY	Foyer
FR	Family Room
GTRM	Great Room
KIT	Kitchen
LAW	In-law Apartment
LDY/UT	Laundry/Utility Room
LIB	Library
LR	Living Room
MBR	Master Bedroom
MBRB	Master Bedroom Bath
OFF	In-home Office
PT/FIN	Partially Finished
REC/PL	Recreation/Play Room
RM	Room
UNFIN	Unfinished (attic, basement)

Appliances/Utilities

APPL	Appliances
CAC	Central Air Conditioning
CK/TP	Cooktop
CMPT	Compactor
C/VAC	Central Vacuum
DRY	Dryer
DSP	Disposal
D/W	Dishwasher
ELEC	Electric (with #amps)
FRZ	Freezer
HT/PMP	Heat Pump
HT/WTR	Hot Water Heater
ICE	Ice Make
MICRO	Microwave
RAD/HT	Radiant Heat
REF	Refrigerator
RNG	Range
SEC/SYS	Security System
SWR	Sewer or Septic
WAR	Warranty
WASH	Washer
WHLPL	Whirlpool Tub
W/OVN	Wall Oven(s)
WTR	Water (city or well)

Exterior Features

BAL	Balcony
BLT	Built-ins
BRK	Brick
CER	Ceramic Tile Floors, Walls
CLS	Closet (often with #)
FLR	Floors
FML	Formal (often DR)
FPL	Fireplace
HDWD	Hardwood Floors
HMOD	Handicap Modifications
PNLD	Paneled
SKYLT	Skylight(s)
SP/ENT	Separate Entrance
VLT/CL	Vaulted Ceiling(s)
WI/CLS	Walk-in Closet
WU/ATT	Walk-up Attic
WBF	Wood Burning Fireplace

Mortgage Terms

ASMT	Tax Assessment
ASSUM	Assumable Mortgage
FHA/VA	FHA/VA Financing Available

Getting Ready to Buy

Down Payment Strategies

If you are like most move-up buyers, the down payment on your new home will probably come from two sources—proceeds from the sale of your current home, and any savings you’ve built up in bank or investment accounts.

To maximize the cash you can put toward your home purchase, make saving a priority. If you set realistic goals and adhere to a few key principles, you can pull together the cash you need.

- **Pay yourself first.** Figure out how much you need to put away each month in order to reach your savings goal, and set that aside before attending to other expenses.
- **Avoid large purchases.** Before buying big-ticket items, ask yourself how it will affect your home purchase. If a non-essential item puts your goals at risk, put off buying it until after you’ve bought your home.
- **Invest wisely.** Financial investment always carries some degree of risk, and it’s important to weigh that risk carefully against your goals. Wells Fargo has the products and expertise to help you build an investment strategy that works for you. Visit [wellsfargo.com](https://www.wellsfargo.com) to find out more.

Proceeds from the sale of your current home can also contribute to your down payment. How much you profit from your home sale depends mainly on how much you have built up your equity, which is the difference between the value of your home and how much you owe on it. If you currently have a Wells Fargo Home Mortgage loan, you can learn how much you owe on it by requesting a pay-off quote at YourWellsFargoMortgage.com or by calling the customer service number listed on your monthly statement. Your real estate agent can help you determine the current market value of your home.

If you’re concerned that you don’t have enough cash or equity to make a down payment—or even if you do have the money, but want to keep it in higher-yielding investments—we have low and no down payment programs that can help.

The **No Money Down PlusSM** loan allows you to finance 100% of the purchase price (or appraised value, whichever is lower) of a new home with no money down. Plus, you can use your mortgage to finance closing costs (including prepaids), up to a maximum loan-to-value of 103%.

Maintaining Good Credit

As you know from your previous home financing experience, credit plays an important role in the mortgage approval process. Responsible credit use is an important part of the mortgage equation, no matter what your homeownership goals. A strong credit profile works to your advantage in trying to secure more favorable loan terms. Even if you have a history of paying your current mortgage on time, there are some additional steps you can take to make sure you are on solid footing:

- **Check for errors on your credit report.** Order a copy of your credit report, which you can do online at [Equifax.com](https://www.equifax.com). Inspect it for incorrect or outdated entries, and report any mistakes to the credit agency.
- **Buy with cash or checks instead of credit.** If you don't have the money on hand for a large purchase, consider delaying it until you do.
- **Get rid of cards you don't use.** Having more than a few credit cards may work against you, so close any accounts that you don't need.
- **Contact creditors immediately if you have a problem.** Many creditors are willing to work with clients to help relieve difficult financial situations.

Even if you have a less-than-perfect credit history, it may not mean you have to put your homeownership plans on hold. Wells Fargo Home Mortgage has mortgage qualifying solutions that can help you achieve your goals.

Selling Your Current Home

Selling a home can take just as much planning and effort as buying one. Familiarize yourself with the home-selling process ahead of time, so you can focus on getting into your next home instead of getting rid of your last.

- **Find a real estate agent.** Interview a few listing agents and find one you're comfortable with. A good agent can be the difference between a smooth sale and a stressful one.
- **Develop a home-selling plan.** It's important to set clear goals and decide at the outset how involved you want to be in the selling process. Ask about your agent's marketing plans for your home, discuss your expectations about their role and your role in selling the home, and work together to make the sale.
- **Make necessary repairs.** Walk through your home as a prospective buyer would. Check flooring, plumbing and lighting fixtures, heating and ventilation systems, roofing, and any other major features.
- **Make minor improvements.** Add small cosmetic touches that might help you sell the home. You could spruce up the entryway to make it more inviting, plant flowers in the front yard, and send belongings that clutter up rooms to storage.
- **Price your home.** Settle on a realistic price — you want your home to sell in a timely fashion, and not make buyers speculate on why it is just sitting on the market. Check sales prices of comparable homes and consider getting an appraisal to assess the market value of your home.
- **Market your home.** Work with your listing agent to attract as many potential buyers as possible. Advertise with “for sale” signs along with print and online listings, and host open houses to show off your home.
- **Close the sale.** After working through any remaining considerations, you simply need to get through all the paperwork. Your listing agent should help you compile all the necessary documents, and arrange to meet with the buyers to complete the transaction.

Mortgage Essentials

Basic Loan Types

As you probably remember from your first round of home financing, mortgages come in a variety of types and sizes to meet a wide range of needs. Here's an overview of the most common types of mortgage programs that you can use as a reference.

Mortgage Type	Key Features	Customer Benefits	Homebuyer Profile
30-Year Fixed Rate	Interest rate remains the same for the life of the loan.	Provides protection against rising interest payments. Predictable payments make budgeting for the future easy.	Especially attractive in a low interest rate environment and ideal if you plan to stay in your new home for at least 7 years.
15-Year Fixed Rate	Same as 30-year, but with slightly lower interest rates.	Principal is paid off sooner, saving substantial money in interest payments.	Investment-minded homebuyers who can or wish to make higher mortgage payments can build equity faster.
Adjustable Rate (1-Year ARM) For further ARM information, see the <i>index, margin</i> and <i>rate cap</i> glossary entries at the end of this workbook.	Interest rate (and monthly payments) can rise or fall as a result of annual rate adjustment, which occurs throughout the term of the loan in response to a changing economy.	Initial interest rate and monthly payment are lower than that of a fixed rate mortgage.	May be a good choice in a higher interest rate environment if you need a lower rate to qualify for financing or if you want to save some money in the first year.
Intermediate ARM	Offers a fixed interest rate for a designated period (3, 5, 7 or 10 years) then adjusts annually. Often referred to as 3/1, 5/1, 7/1, and 10/1 ARMs.	Initial interest rate and monthly payment are lower than that of a fixed rate, so payments are more manageable during the introductory period. Rate is usually higher than the 1-year ARM, but payments are dependable for a longer period.	Can be a practical financial-planning tool for forward-thinking homebuyers who intend to move or refinance in 3, 5, 7 or 10 years.
Convertible ARM	Offers an option to convert your loan to a fixed rate mortgage after a certain period of time (for example, anytime after the first through the fifth year).	Advantage of a lower initial interest rate with an opportunity to change to a fixed rate when you can better afford it.	Good choice for homebuyers who need a lower qualifying rate today, but who may want to switch to a fixed rate in the future without refinancing.
Balloon Loan	Offers fixed payments for a period of time (usually 5 to 7 years), followed by one balloon payment of the remaining loan balance.	Interest rate is lower than that of a fixed rate loan.	Popular choice of homebuyers who are certain they will move or refinance in 5 to 7 years.
Renovation Loan	Finances the purchase of a home and provides the additional funds to improve or renovate it.	Amount of money that can be borrowed is based on the future value of the home after improvement.	Perfect for the homebuyer looking to purchase a "fixer-upper" or a house that requires remodeling to accommodate family needs.
New Construction Loan	Offers two types of programs: one that finances the purchase of a newly constructed home and one that finances the actual construction plus the purchase of the finished home.	Loans for new construction offer options such as an extended rate lock or <i>bridge loan</i> .	Homebuyers purchasing a newly constructed home from a builder, or building their own home.

Customizing your Home Financing Package

Wells Fargo Home Mortgage has an extensive array of home financing features that can help meet your needs. Your Wells Fargo Home Mortgage consultant can help you create **Personalized SolutionsSM** to achieve your goals.

Personalized Solutions	Key Features	Homebuyer Benefits
Wells Fargo No Money Down SM and No Money Down Plus SM Mortgages	Offer borrowers home loan programs with no down payment requirements. And if borrowers have a good credit history, they can use up to 3% of their mortgage amount to finance closing costs.	Perfect solution for homebuyers who are short on funds for a down payment or reluctant to liquidate investments and trigger a taxable event.
Easy-to-Own SM Loan Program	Full line of Easy-to-Own SM products, including the Easy-to-Own SM No Money Down mortgage, enables those borrowers with low to moderate incomes to become homeowners.	Enables prospective homebuyers who might not otherwise be able to afford a home to buy one.
TimeSaver Purchase SM Loan	Current Wells Fargo Home Mortgage customers may already be pre-approved for financing that requires little or no documentation. New customers with excellent credit may also qualify for one of our ultra-streamlined loan processes.	Provides a pre-approved loan with less documentation than traditional loan programs.
Purchase & Renovate SM Loan	Combine the costs of buying and repairing or improving a home into a single loan, in an amount based on the post-renovation value of the property.	Enables homebuyers to purchase and renovate the home of their dreams.
"Relationship" Loan	Based on their current or new customer relationship with Wells Fargo Bank, customers are eligible for a closing bonus or special interest rate savings on select home loan programs. In fact, the greater the relationship with Wells Fargo, the deeper the discount.	Provides added savings and discounts for current or new customers.
Closing CostSaver [®] Loan	By financing many of the closing costs with a slightly higher interest rate, the cash needed to close is minimized.	Makes closing costs more manageable by incorporating them as part of the loan payment.
Shop, Lock and Roll SM	Enables borrowers to shop with confidence by locking in an interest rate.	If rates drop again once you've found your home, you can roll down to the lower rate.
80/10/10 Loan Program	By combining a first mortgage for 80% of the purchase price with a home equity loan for 10%, a down payment of only 10% is required.	In some cases, these programs allow a homebuyer to purchase a more expensive home with less of a down payment.
80/15/5 Loan Program	By combining a first mortgage for 80% of the purchase price with a home equity loan for 15%, a down payment of only 5% is required.	<ul style="list-style-type: none"> • Instead of using your own cash for a down payment, use it for furnishings or home improvements. • Reducing the mortgage amount to 80% or less also enables the homebuyer to eliminate the extra cost of mortgage insurance.
75/20/5 Loan Program	By combining a first mortgage for 75% of the purchase price with a home equity loan for 20%, a down payment of only 5% is required.	<ul style="list-style-type: none"> • In some instances the added funds of the home equity loan will reduce the first mortgage amount from the jumbo category to the conforming category, resulting in a lower rate. • This kind of program also works well for a buyer who is anticipating a big bonus or inheritance to help cover the costs of a home purchase. Instead of waiting, the home equity loan supplements the down payment temporarily, and can be paid off when the funds come in.
Blended Jumbo	First mortgage up to current conforming loan limits and second mortgage in an additional amount are used to finance the home up to 80% of the purchase price.	May enable a homebuyer to avoid a higher interest rate of a jumbo loan.

Customizing your Home Financing Package

(continued)

Personalized Solutions	Key Features	Homebuyer Benefits
Builder Best SM Program	Interest rate locks of up to one full year are available, with an option to float down 60 days before closing on a newly constructed home.	Protects homebuyers against rising rates during lengthy construction time frames.
FLEXED/FIXED [®] Program	Borrowers receive interest rate discounts over the first, second and/or third year of the mortgage term.	Enables first-time homebuyers to make a gradual transition from rental payments into potentially higher monthly mortgage payments.
Rapid Track [®] Program	Eliminates the need for some types of documentation as a requirement for approval.	Makes the mortgage process faster and easier for homebuyers who qualify.
Rapid Value SM Program	Determines if a homebuyer qualifies for an automated valuation.	Makes the mortgage process faster and easier for homebuyers who qualify.
Home Asset Management Account SM	Combines a mortgage and a home equity line of credit ⁴ into a single financing package that are linked together.	Allows customers access at all times of up to 100% of their home's value so they can manage their money more effectively. Specially, it allows them to take advantage of the tax deductibility of home equity loans versus using higher interest credit cards or other types of personal loans. Consult your tax advisor regarding the deductibility of interest.

Jumbo Mortgages for More Expensive Homes

If you are looking for a larger home, you most likely will need a larger mortgage. If you need to borrow more than \$322,700, a jumbo or blended jumbo mortgage may be your best option. Jumbo mortgage programs can give you the extra borrowing power you need, but the costs and guidelines may differ from those that apply to standard mortgage loans.

Jumbo mortgages are often described as “non-conforming” loans. This term applies to any mortgage that does not conform to the standard underwriting guidelines set by Fannie Mae or Freddie Mac, the two government-sponsored agencies charged with providing funds to the mortgage industry. The guidelines, which must be met for a loan to be guaranteed by one of these two entities, set the limit for single-family home mortgages at \$322,700 for 2003 (\$484,050 in Alaska and Hawaii). This limit is adjusted annually.

Jumbo mortgages usually carry a higher interest rate than conforming loans. Because of the larger loan amount, and because the loan can't be guaranteed by Fannie Mae or Freddie Mac, the lender absorbs a greater degree of risk. Also contributing to the lender's risk is the fact that homes secured by jumbo mortgages may be more difficult to sell than less-expensive homes.

If the higher interest costs make jumbo mortgages unappealing, but you still need to borrow more than the conforming loan limit, you do have another option. One relatively common variation of the jumbo loan is known as a “blended jumbo” mortgage. This financing method allows you to take out a fixed-rate mortgage up to the loan limit, along with an adjustable-rate second mortgage to cover the difference. The resulting “blended” payment is often lower than what would be required for a jumbo mortgage of the same total amount.

While the lowest possible dollar amount of a jumbo loan is uniform among lenders (just a dollar more than the Fannie Mae and Freddie Mac loan limit), the highest possible amount is not as distinct. Different lenders are willing to absorb different levels of risk, and establish their own “ceiling” for jumbo mortgages. In addition to differentiating between conventional and jumbo loans, many lenders have a separate category for “super-jumbo” loans. Where the line is drawn between jumbo and super-jumbo, and how the costs and loan requirements differ, also depends upon the lender. Before you apply, ask what category your desired loan amount fits into.

⁴ Home equity financing offered by Consumer Credit Group, Wells Fargo Bank, N.A.



Getting Pre-approved

Before you begin working with a real estate agent or a builder, ask your Wells Fargo Home Mortgage consultant about getting pre-approved. As you may remember, a pre-approval is a letter from us that lets you and others know exactly how much home you can afford. Getting pre-approved is a smart move for serious homebuyers because it shows sellers that you come to the negotiating table ready to complete the transaction.

Basically, a pre-approval indicates that a lender has taken a detailed look into your financial background and has given you a commitment to finance a mortgage of up to a certain amount, pending specific property details. Because pre-approval includes a credit check, it's more powerful than a pre-qualification letter, which generally only estimates what you can afford, based on information you've provided.

Pre-approval offers significant advantages:

- It meets the expectation of real estate agents and home sellers, who rely increasingly on pre-approval to identify serious offers.
- It helps you shop with confidence because you know how much you can afford.
- It can provide an advantage over other buyers who haven't been pre-approved.
- It makes the final mortgage process go more quickly and easily, since much of the work has already been done. You may even be able to schedule an earlier closing.

It's a good idea to get approved for the maximum amount that you can qualify for, so you're prepared. However, don't let the knowledge that you *could* borrow a certain amount lead you to believe that you *should* borrow that amount. If you already have a property in mind, get a pre-approval letter for the amount of your offer. If it's lower than your pre-approved amount, your home mortgage consultant can rewrite your approval letter to match the offer amount.

Keep in mind that you are not locked into these assumptions. Naturally, a switch to another loan type or a change in mortgage rates may affect the maximum loan amount on your pre-approval.

From Application to Closing

Once you've submitted your mortgage application and received a decision, the steps leading up to your closing will probably seem quite familiar. But it is a good idea to review them so you remember what to expect. Prior to closing on your new home, you'll need an *appraisal*, a *home inspection*, *home insurance*, and *title insurance*.

Appraisal

Your home mortgage consultant will help you find a professional appraiser to determine the value of your home. Most loan programs require an appraisal to make sure the sale of the property would provide enough funds to repay the mortgage balance. This protects the lender in case of default, and can also help you make sure you don't overpay for the home. An appraiser will give a professional assessment of the property's value based on a number of factors, including:

- Square footage, overall condition, special features, and amenities
- Home improvements
- Property location
- A review of the sales prices of comparable properties that have sold recently in your area.

Home Inspection

A professional home inspection can help put your mind at ease by identifying any potential issues with the home. In some cases, a home inspection may be required as part of your loan approval process. A home inspector will give a professional assessment of the property's physical condition and notify you of any existing or potential problems. At minimum, the inspection should cover all the home's major systems and structural elements, including the foundation, electrical system, heating and cooling systems, insulation, roofing, plumbing, and all exterior features.

You should make every effort to be present during the inspection, so you can see any problems first hand. Accompanying the inspector can make the inspection report easier to understand, and you may even get some valuable maintenance tips.

Home Insurance

Home insurance will protect the investment you've made in your home. Your policy will compensate you for damage done to your home or its contents by natural hazards such as fire and wind, and will protect you from liability if someone is injured on your property.

Before you close on your mortgage, you'll be required to show proof that you have purchased home insurance. Your lender will probably require you to purchase a minimum amount of coverage, usually equal to your loan amount. You may, however, want to purchase a larger policy to make sure you're protected from additional losses.

Title Insurance

There are two types of title insurance: one protects the lender and one protects the borrower.

Title insurance is purchased as protection from claims against your ownership of the property. Such claims may be made by undisclosed spouses, heirs of previous owners, creditors holding liens against previous owners, or other parties.

Your lender will most likely require you to purchase a title policy, which will cover their interests in the property. It's up to you to purchase a policy to protect your interest in the home. Your home mortgage consultant will be able to recommend a title insurance company who can provide additional information about the policies available in your area.

Making Your Move

Relocation Considerations

Deciding to relocate yourself or your family can be a major event. If you have a job transfer, you'll need to gather as much information about your new locale as soon as possible. If you're planning a retirement move, you may have more time to explore possibilities. Whether you're moving across town or across the country, it can be an exciting, but hectic experience. Your real estate agent can introduce you to the new area and help you identify the best town for your personal needs.

If you're moving with kids, it's a good idea to involve them in the process as early as possible. Set aside time for family discussions to share feelings about the move, and include them in decisions over decorating and furniture purchases. To alleviate their distress over leaving friends behind, host a "goodbye old friends" party.

As you plan your move, keep these tips in mind:

- Four to six weeks before moving, take an inventory of your possessions and decide what you'll move to your new home.
- Consider donating goods you're not taking. Make sure to obtain receipts for tax purposes, and then consult your tax advisor regarding the deductibility of the donation.
- You might also want to hold a garage sale, or offer the items to the buyer of your new home — he or she could be your best customer!
- Take care of documents and valuables. Empty your safe deposit box and gather all valuables and important papers for safe transportation to your new location.
- Keep a detailed record and receipts of moving expenses and reimbursements. You might be able to deduct your moving expenses, including professional moving costs, transportation, lodging, and meals. Consult your tax advisor.
- Take your Wells Fargo accounts with you. By keeping your Wells Fargo accounts, you'll have no interruption in service, and no banking hassles. Review your accounts — at no charge — with a Wells Fargo banker to ensure they still meet your lifestyle needs. If you're also changing jobs, a banker can help you set up Direct Deposit.

Moving Checklist

Fill out

- U.S. Postal Service change-of-address forms

Redirect

- Newspaper subscriptions
- Magazine subscriptions

Advise

- Catalog companies
- Book, music, and video clubs
- Educational, religious, charitable, and fraternal organizations

Arrange to turn off, or change over

- | | | |
|----------------------------------|-----------------------------------|---|
| <input type="checkbox"/> Water | <input type="checkbox"/> Gas | <input type="checkbox"/> Phone |
| <input type="checkbox"/> Sewer | <input type="checkbox"/> Electric | <input type="checkbox"/> Cable/Satellite TV |
| <input type="checkbox"/> Garbage | | |

Notify

- Banks
- Credit card companies

Insurance agents

- Homeowners
- Auto
- Life
- Health

Service providers

- Internet
- Cellular phone
- Paging service

Delivery Services

- Grocery
- Pharmacy

Contact

- | | | |
|----------------------------------|---------------------------------------|--|
| <input type="checkbox"/> Doctors | <input type="checkbox"/> Veterinarian | <input type="checkbox"/> Financial Advisor |
| <input type="checkbox"/> Dentist | <input type="checkbox"/> Accountant | <input type="checkbox"/> Stock broker |

If you are moving a great distance away, you may need to have records transferred.

Inform

- City, State, and Federal government agencies
- Income and property tax authorities

Update

- Driver, pet, and other license data
- Voter, vehicle, and vessel registrations
- Business permits

Managing Your Investment

Building Equity

As you make your mortgage payments each month, you build equity in your home. As noted in *Down Payment Strategies* on page 7, the term “equity” refers to the difference between the value of your home and what you owe on it. For example, someone whose home has a fair market value of \$200,000 and whose mortgage balance is \$180,000 has \$20,000 of equity.

Growth in home equity comes from two sources:

- **Paying down the principal** means that your outstanding balance declines with each monthly mortgage payment. Most mortgages *amortize*, meaning that, for a fixed-rate mortgage, less and less of your monthly payment goes to paying interest, allowing you to repay principal at a faster rate (this is also true for adjustable-rate mortgages, except in the months when a loan is adjusted to a higher interest rate).
- **Home price appreciation**, or the increase in the market value of your home, also adds to your home equity.

Consider the above example of a borrower with a \$180,000 mortgage. Paying as scheduled on a 6.5% 30-year mortgage, the outstanding mortgage balance at the end of 5 years would be \$168,500. Now assume that the value of the house had appreciated at a 4% annual rate each year. The property would be worth \$243,331 at the end of five years, leaving the owner’s equity position at \$74,831.

Building Equity			
<i>Through Assumed 4% Appreciation and Payment of Principal</i>			
	At Purchase	After 5 Years	Difference
Market Value of the Home	\$200,000	\$243,331	\$43,331
Mortgage Balance	(\$180,000)	(\$168,500)	\$11,500
Equity	\$20,000	\$74,831	\$54,831

Assumptions: 6.5% rate on a 30-year fixed-rate mortgage. No additional payments to principal. 4% annual rate of home price appreciation.

Using Your Growing Wealth

Because a home represents one of the largest investments most Americans will make, it also represents one of the largest assets. Managing your home and the equity associated with it, can provide you with an enormous opportunity as your equity grows.

More and more, homeowners are recognizing that borrowing against their home equity can not only help them make home improvements, but can assist with college tuition, a new car, or a host of other expenses. Using your home equity can be a smart way to borrow because the interest you pay may be tax-deductible, unlike credit cards and other loans.⁵

Home equity is usually accessed with either a *cash-out refinance* or a *home equity loan or line of credit*.

- **Cash-out refinancing** involves getting a new mortgage for an amount greater than your current mortgage balance, and taking the difference in cash. That difference is deducted from your equity. What percentage of your equity you can borrow against depends on your financial profile and on the loan program you choose.

⁵ Consult your tax advisor regarding the deductibility of interest.

- **Home equity loans and lines of credit⁶** involve getting a second loan on top of your original mortgage, taken out against a portion of the equity in your home. Like a cash-out refinance, a home equity loan gives you a single lump sum. A home equity line of credit, on the other hand, establishes an account that you can draw from as needed up to a specified maximum amount. The advantage of a home equity line of credit is that instead of paying interest on the total amount of the line, you pay interest only on what you actually withdraw.

The **Wells Fargo Home Asset ManagementSM** Account offers a unique way to use your home equity. By combining a first mortgage with a home equity line of credit⁶, it allows you to manage your personal finances like never before. Part or all of your down payment — or equity, if you're refinancing — is used to establish an available line of credit that changes as you build equity in your home. As you pay your mortgage, and as your home's estimated value appreciates, the equity increases are reflected in your credit line, as long as you've maintained good credit and made timely mortgage payments. You can access your equity line whenever you need it, without the hassle of applying for additional loans. Contact a Wells Fargo Home Mortgage consultant to learn more.

Easy Account Management

Your MortgageSM online account access from Wells Fargo Home Mortgage allows you to manage your mortgage account quickly and easily — for free! You can access your account online anytime to get personalized information about your loan, including:

- Details on your balance, interest rate, escrow, and year-to-date principal and interest figures
- Specifics on your loan history
- Comprehensive tax and interest data
- Contact information update

Or, if you'd simply prefer to just have your mortgage payment automatically deducted from your checking or savings account each month, our **Automatic Mortgage PaymentSM** service is also available to you at no cost. You can relax knowing your payment will be on-time, every time.

⁵ Home equity financing offered by Consumer Credit Group, Wells Fargo Bank, N.A.



Helping Hands

Place Your Home Mortgage Needs in Experienced Hands

Your team of real estate and mortgage lending professionals wish you many happy, healthy years in your new home. We hope you'll stay in touch and let us know how you're doing. If we may be of service to you, your friends or family members in the future, please give us a call!

Dreaming is the First Stage

Benefit from the strengths of the company that provides funding for an extraordinary 1 out of every 8 homes⁷ financed in the United States — Wells Fargo Home Mortgage. We're committed to offering the most extensive product line in the mortgage lending industry.

Service — How, When and Where You Prefer

Locally: Whether you visit us in a mortgage office or a Wells Fargo Bank branch, our home mortgage consultants are available in more than 1,400 locations doing business in 50 states. Wells Fargo Home Mortgage operates the leading retail mortgage-lending network in the country, and we are ready to meet your financing needs.

By Phone: If you are someone who prefers to apply by phone, Wells Fargo Home Mortgage can handle your mortgage application entirely by phone. Call us at 1-877-937-9357. You always have the option, though, to visit one of our local offices. It's your choice.

Internet: Visit our Web site at <http://www.wellsfargo.com/mortgage> to find out about our extensive array of products, explore mortgage options and closing cost estimates using our innovative **Home Loan WorkbenchSM** tool, or even begin the application process. Or simply use our Web site for research and information and then speak to a home mortgage consultant in person or by phone.

No matter how you choose to work with us, you can depend on our staff to provide you the best home-loan solutions.

Wells Fargo. The Next Stage[®].

For nearly six generations, the Wells Fargo name has stood for reliability, integrity and pioneering products and services that help people manage their money and grow their assets. Wells Fargo & Company is a multibillion-dollar diversified financial investment and consumer financial services company.

As part of the Wells Fargo family, Wells Fargo Home Mortgage can provide easy customer access to additional products and services to help achieve new goals and realize new dreams, today and in the future.

⁷ Based on 2003 year-end statistics by *Inside Mortgage Finance*, 1/30/04.

Mortgage Terms

Adjustable-Rate Mortgage (ARM) – A loan with an interest rate that changes with market conditions on pre-determined dates.

Annual Percentage Rate (APR) – A term used to represent the percentage relationship of the total finance charge to the amount of the loan, over the term of the loan. Do not confuse the APR with your quoted interest rate, which is used to determine your monthly principal and interest payment. The APR reflects the cost of your mortgage loan as a yearly rate. It will be higher than the interest rate stated on the note because it includes (in addition to the interest rate) loan discount points, fees and mortgage insurance. See Note.

Appraisal – A report written by a qualified expert that states an opinion on the value of a property based on its characteristics and the selling prices of similar properties or comparable properties in the area.

Automated Underwriting – A computerized method of reviewing home mortgage applications for loan approval.

Bridge Loan – A loan which enables homebuyers to get financing to make a down payment and pay closing costs on a new home before selling the home they currently own.

Closing – The final step after a lender approves an application. The homebuyer and lender sign the security-agreement note for the mortgage loan, which states all the terms and conditions of the loan, and the funds for the loan are turned over to the homebuyer's closing agent.

Closing Agent – Usually an attorney or title agency representative who oversees the closing and witnesses the signing of the closing documents.

Closing Costs – The costs paid by the mortgage borrower (and sometimes the seller) in addition to the purchase price of the property. These include the lender's fees, title fees and appraisal costs.

Commitment Letter – A binding, written pledge, by the lender to a mortgage applicant, to make a loan, usually under certain stated conditions.

Conventional Loan – A mortgage that is not insured or guaranteed by a government agency such as FHA, VA or Farmers Home Administration.

Credit Report – A report issued by an independent agency which contains certain information concerning a mortgage applicant's credit history and current credit standing.

Debt-to-Income Ratio – A formula lenders use to determine the loan amount for which you may qualify. Also known as the "back-end ratio." Guidelines may vary, depending on the loan program.

Down Payment – A portion of the sales price paid to the seller by the homebuyer to close the sales transaction. Also, the difference between the sales price and the home mortgage amount.

Equity – Your ownership interest, or that portion of the value of the property that exceeds the current amount of your home loan. For example, if the property is worth \$100,000 and the loan is for \$75,000, then you have \$25,000, or 25%, equity in your home.

Escrow Account – A holding account for the amount a mortgage borrower pays each month and which the lender uses to pay for the borrower's taxes, other periodic debts against the property, homeowner's insurance and, if applicable, mortgage insurance.

Fixed-Rate Mortgage – A loan with an interest rate that remains the same for the entire repayment term.

Mortgage Terms

(continued)

FICO Score – A numerical rating developed and maintained by Fair Issac and Company that indicates a borrower’s creditworthiness based on a number of criteria.

Float the Rate – This term is used when a mortgage applicant chooses not to secure a rate lock, but instead allows the interest rate to fluctuate until the applicant decides to lock in, usually no later than five days prior to closing.

Front-end Ratio – Also known as the housing expense-to-income ratio, it compares your proposed monthly house payment (PITI) to your total household gross monthly income.

Funding Fee – The amount charged on VA mortgages to cover administrative costs.

Good Faith Estimate – A document that tells mortgage borrowers the approximate costs they will pay at or before closing, based on common practice in the locality.

Government Loan – A mortgage insured by a government agency, such as FHA, VA, Farmers Home Administration or a state bond program. The loans are generally made by private lenders, such as Wells Fargo Home Mortgage.

Home Mortgage Consultant – The Wells Fargo Home Mortgage representative a homebuyer initially consults about a mortgage loan. Sometimes called a loan officer, account executive or sales representative.

Homeowner’s Insurance (also called Hazard Insurance) – A real estate insurance policy required of the buyer protecting the property against loss caused by fire, some natural causes, vandalism, etc. May also include added coverage such as personal liability and theft away from the home.

HUD-1 Settlement Statement – A standard form used to disclose costs at closing.

Index – Interest rate adjustments on adjustable-rate mortgage (ARM) loans are based on a specific “index” or treasury issue (bond) which is selected because it is a reliable, familiar financial indicator. Your monthly interest rate payment will be adjusted up or down in relation to this market indicator, plus the margin as specified in your note. See Margin and Note.

Interest Rate – A percentage of the mortgage amount that is paid to the lender for the use of the money, usually expressed as an annual percentage.

Interim Interest – The interest that accrues, on a per-diem basis, from the day of closing until the end of the month.

Loan Conditions – These are terms under which the lender agrees to make the loan. They include the interest rate, length of loan agreement and any requirements the borrower must meet prior to closing.

Loan Payment Reserves – A requirement of many loan programs that, in addition to funds for the down payment and other purchase-related costs, you have saved enough money to cover one or two months of mortgage payments after your closing.

Loan Settlement – The conclusion of the mortgage transaction. This includes the delivery of a deed, the signing of notes and the disbursement of funds necessary to the mortgage loan transaction.

Loan-to-Value (LTV) – The ratio of the amount borrowed to the appraised value or sales price of real property expressed as a percentage.

Margin – The number of percentage points added to the index to calculate the interest rate for an adjustable-rate mortgage (ARM) at each adjustment period.

Mortgagee – The lender.

Mortgage Terms

(continued)

Mortgage Insurance (MI) – An insurance policy which will repay a portion of the loan if the borrower does not make payments as agreed upon in the note. Mortgage insurance may be required in cases where the borrower makes less than a 20% down payment on the home loan.

Mortgagor – The borrower.

Mortgage Specialist – The Wells Fargo Home Mortgage employee responsible for collecting the completed application and all supporting documents before the entire loan packet is submitted to underwriting. Also known as a processor.

Nonconforming Loan – A mortgage program that offers approval guidelines which are not industry standards. It may, for example, have different loan limits than conforming loans, but may offer financing in conforming and jumbo amounts.

Note – The agreement which states the home mortgage amount to be borrowed and the terms and conditions of the loan. It also includes a complete description of how the loan should be repaid and the time frame for the repayment.

Origination Fee – The amount collected by the lender for making a loan. It is generally equal to a percentage of the principal amount borrowed.

Points – One point equals 1% of the loan amount. Total points on a loan include origination points, used to offset the cost of making a loan, and discount points, which can be paid to reduce the loan's interest rate.

Pre-approval – A written commitment from a lender, subject to a property appraisal and other stated conditions, that lets you know exactly how much home you can afford.

Prepays – That portion of your loan closing costs which must be collected at closing to cover taxes, interest and insurance.

Principal – The amount of a loan, excluding interest; or the remaining balance of a loan, excluding interest.

Private Mortgage Insurance (PMI) – A mortgage insurance policy on a conventional mortgage loan issued by a private insurance company.

Processing – The completion of a mortgage loan application and supporting documents.

Rapid Track® Program – A value-added Wells Fargo Home Mortgage program requiring little or no loan data documentation based on the borrower's needs and credit profile.

Rapid ValueSM Program – A time-saving Wells Fargo Home Mortgage program that enables us to approve mortgage applications with a more efficient, alternative appraisal process.

Rate Cap – The limit of how much the interest rate may change on an ARM at each adjustment and over the life of the loan.

Rate Lock – The borrower and the lender agree to protect the interest rate, points and term of the loan while it is processed.

Sub-prime Loan – A home financing program that accommodates borrowers with special qualifying factors, including poor credit histories.

Truth-in-Lending Statement – Required by federal regulations, this statement tells purchasers the costs of financing their loan expressed as the annual percentage rate (APR). Do not confuse the APR with your interest rate, which is used to determine your monthly principal and interest payment.

Underwriting – The process of a lender reviewing the application, documentation and property prior to rendering a loan decision.

The following highlights monthly payment amount examples for a \$100,000 mortgage, assuming a 1% origination fee which is included in the APR. Certain closing costs may be charged that are not included in this calculation. Actual rates may vary depending on current market conditions, your credit data, the mortgage program you choose and the type of property being financed. A down payment of less than 20% may require mortgage insurance, which can increase the APR.

- 30-year fixed rate mortgage: Fixed simple interest rate 7.875%, APR 7.990%, monthly payment \$725.07 for 360 months.
- 20-year fixed rate mortgage: Fixed simple interest rate 7.875%, APR 8.009%, monthly payment \$828.68 for 240 months.
- 15-year fixed rate mortgage: Fixed simple interest rate 7.50%, APR 7.664%, monthly payment \$927.01 for 180 months.
- 7-year balloon mortgage: Simple interest rate 7.625%, APR 7.740%, monthly payment \$707.80 for 83 months; one payment of \$92,120.64 due at the end of 7 years.
- 1-year ARM: Initial simple interest rate 7.50%, APR 8.5% (subject to increase), monthly payment \$699.22 for 12 months, annual adjustments thereafter.
- 3/1 ARM: Initial simple interest rate 8.125%, APR 8.5% (subject to increase), monthly payment \$742.50 for 36 months, annual adjustments thereafter.
- 5/1 ARM: Initial simple interest rate 7.875%, APR 8.340% (subject to increase), monthly payment \$725.07 for 60 months, annual adjustments thereafter.
- 7/1 ARM: Initial simple interest rate 8.00%, APR 8.330% (subject to increase), monthly payment \$733.77 for 84 months, annual adjustments thereafter.
- 10/1 ARM: Initial simple interest rate 8.25%, APR 8.403% (subject to increase), monthly payment \$751.27 for 120 months, annual adjustments thereafter.

