Congratulations! Purchasing a home is a big decision, and taking the initiative to become educated about the process is a good strategy.

Please use this educational booklet as a tool to familiarize yourself with the details of the home buying experience. We hope you find the information both educational and informative.

Should you have additional questions, please do not hesitate to contact your NBKC Bank loan professional for further assistance, or call 1-800-375-8096.
# Table of Contents

- The Benefits of Home Ownership  3
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The decision to purchase a home is often one of the most important financial decisions one makes during their lifetime. Your individual circumstances will influence the decisions that you make regarding your home purchase. As an essential part of the decision making process, it is valuable to evaluate some of the various benefits associated with home ownership:

Financial Incentives
For many people, the benefit of home ownership is primarily financial. Owning your own home can be a sound financial investment, as well as a way to reduce tax obligations.*

Monthly mortgage payments often serve as a type of scheduled savings plan. Over time, you can gradually accumulate “equity,” an ownership interest in the property that you can often borrow against or convert into cash by selling the property.

Additionally, property may increase in value, or appreciate, over time. It is not unusual to find a home that is worth much more today than it was 20 years ago. This increased worth (equity) is often a great source of savings for the homeowner.

Finally, interest paid on home mortgages is often tax deductible, offering substantial income tax savings to homeowners.*

Pride of Ownership
Perhaps you are ready to have a place to call your own, to settle down. Owning your own home gives you a feeling of permanence and involvement within your community.

Personalization
More control over your physical environment is an appealing benefit of home ownership. Owning your own home allows you to personalize your home to meet your specific needs and desires.

Establishment of Familial Roots
Purchasing a home not only allows you to establish roots in a given community, but often provides additional space needed to raise a family.

HOMEOWNER FACTS

Fannie Mae has provided more than $2.5 trillion to finance homes for nearly 33 million families during the past 60 years using this formula.

1. Home buyers close a mortgage loan from a local lending institution. These lenders make up the “primary market.”

2. The local lending institution keeps the new mortgages as an investment or sells the loan to an investor such as Fannie Mae. These investors make up the “secondary market.”

3. By purchasing home mortgages, Fannie Mae provides local lenders with new funds for more home loans, thereby assuring homeowners a continual supply of credit.

4. Fannie Mae elects to keep the loans in its own investment portfolio, financing those loans by the sale of bonds to investment bankers, commercial banks, pension funds, insurance companies, or credit unions. Alternatively, Fannie Mae packages the loans into guaranteed mortgage-backed securities for other investors.

5. The cycle begins again, as lenders make other loans to home buyers.

*Please consult with your tax advisor on any tax-related financial decisions.
What records should you keep?
Now that you are ready to buy a home, you’ll need documentation to secure your financing. Procurement of the following items, should allow the lender to issue a pre-approval.

Employment History
You will need 24 months of employment history documented with the last two years of W-2’s and/or other acceptable documentation as requested.

**TIP:** Save your last complete month of paycheck stubs.

Income
Gather all sources of income including, but not limited to employment and child support. These sources must be **verifiable, effective and reoccurring.**

Debts
Debts are contingent obligations (minimum monthly payments) used for the debt-side ratio. Most debts are reported on a credit report, but can also be obligations owed to an individual or entity who does not report to credit agencies.

Source of Funds
You will also be required to show the source of funds for your down payment and/or closing costs and prepaid items. Please provide records of checking, savings, CD’s, Money Market, and 401k accounts to verify that your closing and earnest money funds are your own. You will be asked for at least two recent bank statements to document the source of any large deposit.

Gift Funds
Gift funds are allowed on some loans. Please ask your loan officer for additional information.
The Pre-approval Process

It is important to receive pre-approval or pre-qualification prior to looking for a home. This gives you a price range for your home search and enhances your offer by showing the seller that you are qualified to purchase the home. Below is an example of a pre-approval letter.

PRE-APPROVAL LETTER EXAMPLE

Thursday, March 20, 2015
NBKC Bank
10700 Nall Avenue
Overland Park, KS 66211
(800) 375-8096
(913) 385-5695 fax
NMLS #409631
Re: Loan Pre-approval Notification and Conditions

Congratulations! After reviewing your credit information, you have been pre-approved for your home loan with NBKC Bank. Your pre-approval is based on the information you have provided in accordance with the following terms and subject to the conditions below.

Name: John Smith
Secured by the property located at: 123 Main Street, Anytown, USA

Loan Terms:
Sales Price: $299,900.00
Loan Amount Up To: $299,900.00
Loan Term: 360

This pre-approval letter is valid for 90 days from the date of this letter.

Specific conditions required for final approval include the following:

1. A valid sales contract on the subject property
2. Acceptable appraisal supporting loan value
3. Evidence of hazard insurance and flood insurance (if required)
4. No change in employment, income, credit, and asset information submitted
5. An acceptable preliminary title commitment issued on the subject property
6. Satisfactory termite inspection of the home (if required)
7. Satisfactory survey of the home and land (if required)
8. A closing disclosure from the sale of your present home with sufficient funds to complete the closing of the transaction (if applicable)
9. Condominium documentation required to confirm that the property meets current eligibility guidelines (if applicable)

This letter is not a guarantee of specific rates or terms. Any rates quoted are only an indication of current rates as of the date of this letter. If you receive final approval for a loan, the loan amount and conditions may be different than what is described in this letter.

Thank you for choosing NBKC Bank for your home financing. As your personal loan officer, it is my priority to make your experience easy and hassle-free. Please contact me with any questions.

Sincerely,
Jason Rogers
NMLS# 000000
(913) 905-2100
jason.rogers@nbkc.com

(sample)
A Pre-approval letter gives you:
1. **Strength** when negotiating with the seller or seller’s agent, as your credit has been reviewed and approved
2. **An advantage**, as the seller is likely to prefer an offer from a buyer who is pre-approved
3. **Confidence and peace of mind** in knowing that you are pre-approved to purchase a home in which you may be interested
The Pre-approval Process (continued)

**FICO® Score**
The length of the pre-approval process is largely determined by your FICO® Score and ratio.

The Fair Isaac Credit Organization (FICO®) is a public company that provides credit scoring for the purpose of a home loan approval. It often drives the loan approval process and has become the standard underwriting practice.

**Ratio**
Ratio is the relationship of the applicant’s income to their house payment (PITI & MI), as well as the relationship of the applicant’s income to their house payment (PITI & MI) and debts.

There are generally acceptable standards associated with ratios, depending on the type of loan, the amount of down payment and FICO® Scores. By using the ratios with other calculations, lenders can calculate the loan amount for which the buyer qualifies.

**Attaining Pre-approval**
Pre-approval occurs upon the verification of paycheck stubs, W-2’s, credit reports, bank statements, gift letters, phone calls and other paperwork provided by the applicant.

*TIP: Generally, just three pieces of information are needed to pre-approve the buyer: income, assets, and debt.*

**DEFINITIONS**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>PITI &amp; MI</td>
<td>House Payment</td>
</tr>
<tr>
<td>PI</td>
<td>Principal and Interest</td>
</tr>
<tr>
<td>T</td>
<td>Real Estate Taxes</td>
</tr>
<tr>
<td>I</td>
<td>Homeowners Insurance</td>
</tr>
<tr>
<td>MI</td>
<td>Mortgage Insurance</td>
</tr>
</tbody>
</table>

**Factors Affecting FICO® Scores**
According to the Fair Isaac Credit Organization, the following factors, listed in order of score impact, are the most important when evaluating a credit bureau score.

**Payment History**
- Public record and collection items
- Delinquencies notes in trade lines section – severity, recency, and frequency

**Outstanding Debt**
- Number of balances recently reported
- Average balance across all trade lines
- Relationship between total balances and total credit limits on revolving trade lines

**Credit History**
- Age of oldest trade line

**Inquiries and New Credit**
- Number of inquiries and new account openings in the last year, noting most recent account

**Types of Credit Used**
- Bank, travel, entertainment and department store cards
- Personal finance company
- Installment loans
- Other types of credit
The FICO® Score largely determines a quick loan approval and has become the standard underwriting practice. The image below is an example of a credit report.

C R E D I T  R E P O R T  E X A M P L E

All credit reports contain the same general categories of information. Updates to this information come from information you supply to lenders.

Identifying Information
Includes name, address, Social Security number, date of birth and employment information. These factors are not used in credit scoring.

Trade Lines
Includes types of credit accounts (bankcard, auto loan, mortgage, etc.), dates accounts were opened, credit limit or loan amounts, account balances, and payment histories.

Credit Inquiries
Includes a list of those who accessed your credit report within the last two years.

Public Record and Collection Items.
Includes bankruptcies, foreclosures, suits, wage attachments, liens and judgments.
Mortgage Insurance References
Mortgage insurance is referred to as:
- **Funding Fee** on VA loans
- **MIP** on FHA loans
- **MI** or **PMI** on conventional loans

**FACT:** Mortgage insurance helps create a market and protects the investor from loss.

Funding Fee
Mortgage insurance is called a funding fee that is paid to the Veteran's Administration on all VA loans, with the exception of disabled veterans, when the VA sends a waiver.

Reservists, or those who serve in the National Guard, may also be eligible for a VA guaranteed home loan. The first-time user funding fee is 2.4% on 100% LTV’s and 3.30% if previously used. The fee may still be financed in the loan or note.

<table>
<thead>
<tr>
<th>FUNDING FEE (as VA charges on purchases)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1st Time (Active Duty)</strong></td>
</tr>
<tr>
<td>Up to 100%, LTV fee will be 2.15%</td>
</tr>
<tr>
<td>Up to 95%, LTV fee will be 1.50%</td>
</tr>
<tr>
<td>Up to 90%, LTV fee will be 1.25%</td>
</tr>
</tbody>
</table>

| **1st Time (Reservist)**                | **Previous User (Reservist)** |
| Up to 100%, LTV fee will be 2.40%       | 3.30% of the loan amount       |
| Up to 95%, LTV fee will be 1.75%        | 1.75% of the loan amount       |
| Up to 90%, LTV fee will be 1.50%        | 1.50% of the loan amount       |

Mortgage Insurance Premium (MIP)
MIP is paid to HUD on all FHA 203B or 703B loans regardless of the loan-to-value ratio (LTV).

In addition to an UPFRONT mortgage insurance premium (UF-MIP), there is an annual premium that results in a MONTHLY MIP when divided by 12 months. This is collected in the monthly payment, along with real estate taxes, fire insurance and PI.

The UF-MIP will be added to the BASE mortgage amount and financed. The annual premium is calculated on the unpaid base principal balance without the UF-MIP added to the base loan.

The annual premium (based as a monthly payment) must be included in the proposed monthly housing expense for underwriting purposes and for calculating the borrowers qualifying ratios. This is expressed on a monthly basis.
Now that you know the loan amount for which you qualify, it will be beneficial to understand the terms used when selecting a loan program.

The Loan Estimate

A Loan Estimate will show you what your monthly payments (PI & MI) will be. Additionally, the Loan Estimate gives you a detailed account of your closing costs and pre-paid items. Use this estimate to determine which loan fits your financial situation.

Annual Percentage Rate (APR)

APR reflects the cost of your mortgage loan as a yearly rate. This rate may be higher than the rate stated in your mortgage or deed of trust note, because the APR includes interest, loan discount or points, fees, and other credit costs. This is a true reflection of whether or not you are being taken advantage of with junk fees or points. The broader the difference between the APR and the note rate, the more you should question any excessive costs.

Source of Funds

Funds will be needed for the down payment (equity), closing costs (appraisal, credit report, recorder of deeds, title work, closing fees, underwriting), and prepaid items (first year of fire insurance, escrows for real estate taxes, homeowner’s insurance, mortgage insurance, and flood insurance, if required).

Points

Points, often called origination fees or discount points interchangeably, are prepaid interest at closing that permanently buy down the interest rate of your loan. Most loans are priced at “par,” where borrowers do not pay points.
The Loan Estimate (continued)

### The Loan Estimate – Example

#### Loan Estimate

<table>
<thead>
<tr>
<th>Term</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DATE ISSUED</strong></td>
<td></td>
</tr>
<tr>
<td><strong>APPLICANTS</strong></td>
<td></td>
</tr>
<tr>
<td><strong>PROPERTY</strong></td>
<td></td>
</tr>
<tr>
<td><strong>SALE PRICE</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Loan Terms</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Loan Amount</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Interest Rate</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Monthly Principal &amp; Interest</strong></td>
<td>See Projected Payments below for your Estimated Total Monthly Payment</td>
</tr>
<tr>
<td><strong>Prepayment Penalty</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Balloon Payment</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Projected Payments</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Payment Calculation</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Principal &amp; Interest</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Mortgage Insurance</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Estimated Escrow</strong></td>
<td>Amount can increase over time</td>
</tr>
<tr>
<td><strong>Estimated Total Monthly Payment</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Estimated Taxes, Insurance &amp; Assessments</strong></td>
<td>Amount can increase over time</td>
</tr>
<tr>
<td><strong>Costs at Closing</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Estimated Closing Costs</strong></td>
<td>Includes in Loan Costs + in Other Costs – in Lender Credits. See page 2 for details.</td>
</tr>
<tr>
<td><strong>Estimated Cash to Close</strong></td>
<td>Includes Closing Costs. See Calculating Cash to Close on page 2 for details.</td>
</tr>
</tbody>
</table>

---

Visit www.consumerfinance.gov/mortgage-estimate for general information and tools.
The Home Search

The Buyer’s Agent
When choosing whether to work with a realtor, it is important to understand the legal obligations within the relationship.

When working on the buyer’s behalf, the realtor is called a buyer’s agent and is legally required to disclose certain information to both the buyer and the seller.

**FACT:** An exclusive buyer’s agency agreement is a legally binding contract.

Buyer’s agent’s legal obligations to the buyer
• Obtain acceptable price
• Suggest negotiating strategy
• Disclose all pertinent information
• Keep buyer’s information confidential
• Disclose material defects of the property
• Disclose if seller cannot uphold the contract

Buyer’s agent’s legal obligations to the seller
• Disclose if buyer cannot uphold the contract

Multiple Listing Service (MLS)
The MLS is an inventory of houses for sale. Additionally, it can be used to access information about comparable sales (comps) in a particular area, which can help the buyer and realtor determine the value of a property. The buyer has MLS access through their realtor.

Seller’s Disclosure
The seller’s disclosure is a part of the sales contract, which discloses the condition of a property to the potential buyer.

Mortgage Options
Trying to understand the details of the mortgage process can be confusing. Before beginning the search for a new home, buyers should address the following questions:

• What types of mortgage options exist?
• For which mortgage options do I qualify?
• Which mortgage option is in my best interest?
• Will I need a down payment?
• What kind of monthly payment can I afford?
• Do I have any credit issues?

<table>
<thead>
<tr>
<th>Program</th>
<th>Details and Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>FHA</td>
<td>Federally insured loans, very common, 3.5% down, no income restrictions</td>
</tr>
<tr>
<td>VA</td>
<td>VA guaranteed loans for veterans only, 0% down, no income restrictions</td>
</tr>
<tr>
<td>FNMA</td>
<td>Privately insured loans, very common, 5%+ down, no income restrictions</td>
</tr>
<tr>
<td>FREDDIE MAC</td>
<td>Privately insured loans, very common, no income restrictions</td>
</tr>
<tr>
<td>HELOC</td>
<td>Home equity line of credit, available in a limited number of states</td>
</tr>
<tr>
<td>OTHERS</td>
<td>Some cities have their own programs, usually with income restrictions.</td>
</tr>
</tbody>
</table>

The chart above represents a sampling of the more popular programs generally available as of November, 2015. Please check with your lender to determine the programs currently available. *USDA Property and Income Guidelines must be met and an extension of credit is subject to credit approval.*
Rights Concerning Property Condition
There are regulations (Property Condition Laws) in 19 states mandating that sellers describe, to the best of their knowledge, any defects that may affect the value of the property. Property condition disclosure requires the seller to complete a statement that describes the problems or potential nuisances unique to a home – anything from a loose doorknob to the presence of termites.

Although disclosure guidelines vary from state to state, the disclosure forms typically include questions about the home’s structural integrity, the condition of the heating and plumbing systems, and any knowledge of hazardous materials on the property.

In and of itself, a disclosure is not a guarantee that one will avoid buying a “lemon,” but it does relieve buyers of the total responsibility of identifying all potential pitfalls and helps make them more knowledgeable about a home’s general condition before buying.

Disclosure laws require sellers to reveal only defects of which they are aware. Even if problems exist with a home, most forms allow the seller to disavow knowledge of the defects if, in fact, they are unaware of them. In certain cases, judgments on what may constitute a defect may also be subjective. For instance, it is possible for someone to live in a house for 20 years and not be bothered by something that is problematic to a new owner.

Disclosure works primarily as a buyer’s “Bill of Rights,” designed to protect the buyer against any unwelcome surprises. It helps to make a buyer more aware of defects that might exist in a home that otherwise appears to be perfect.

Therefore, disclosure statements serve as written proof of existing problems, and encourage parties to reach agreement before closing and avoid lawsuits later.

Making a Purchase Offer
The purchase offer is commonly known as a sales contract and typically includes:

- Names – buyer’s and seller’s legal names
- Address – postal address of property and “legal description to government”
- Sales price – the amount offered to seller for purchase of the property
- Earnest money – $500 - $1,000 is common as representation of your intent to purchase
- Title company name – as the holder of the earnest money
- Closing and possession dates – include and use the terminology “on or before”
- Language – the contract needs to use the language of: warranty deed, mechanic lien, unencumbered title, proration of taxes
- Contingencies – for the buyer’s and seller’s protection. For the buyer, they need to be broad enough to represent their interests, but narrow enough to protect them.

TIP: A sales contract is a legally binding contract. Be sure all parties are in agreement prior to signing.

Negotiating
Counter offers are common when negotiating, and buyers should rely on their realtor’s professional negotiating skills for this purpose. It is important to try to remain objective and rational during the process. Once all parties sign the contract, all terms and conditions are legally binding.
This checklist will help the buyer assess their home buying requirements and assist the buyer’s agent in determining which properties would be of interest to the buyer.

Additionally, this checklist can be used to evaluate a prospective home as to its suitability.

Home Requirement and Evaluation Checklist

- New Home
- Existing Home
- Contemporary
- Ranch
- Split Level
- Traditional
- Two-Story
- Other _____________
- Large Lot
- Small Lot
- Brick Exterior
- Cedar Exterior
- Cement Exterior
- Wood Siding Exterior
- Other _____________
- Composition Roof
- Shake Shingle Roof
- Forced-air Furnace
- Radiator
- Air Conditioning
- Basement
- Bathrooms # _____________
- Bedrooms # _____________
- Dining Room
- Family Room
- Living Room
- Other _____________
- Deck
- Fenced Yard
- Fireplace
- Garage # _____________
- Porch
- Swimming Pool
- Rural
- Suburban
- Urban
- Middle School
- High School
- Private School
- Bus Stop
- Off-street Parking
- Other Parking
- Other desirable features:
  ____________________________
  ____________________________
  ____________________________
- Proximity to schools, stores, etc.
  ____________________________
  ____________________________
- Price Range:
  ____________________________
  ____________________________
- Down Payment:
  ____________________________
  ____________________________
- Other Notes:
  ____________________________
  ____________________________
  ____________________________
  ____________________________
  ____________________________
  ____________________________
Once a contract exists, other loan processing functions must now take place in order for the underwriter to approve and meet the closing date.

Steps in the Processing of a Loan
The following steps should be expected when processing a loan:

- A loan officer helps the buyer determine an appropriate loan program for their needs.
- After the loan program is determined, the loan officer locks in the interest rate.
- A Loan Estimate is issued, showing the PI-MI and settlement costs.
- Title work (pages 17-20) is drawn showing current ownership and liens on the property.
- A survey, which is optional with all but new homes, illustrates how the home sits on a lot.
- An appraisal shows the current market value of the property.
- The termite inspection report determines if infestation or damages exists.
- Final inspections demonstrate that the required work has been completed.
- Hazard insurance pertains to the buyer obtaining their own homeowners insurance for the property.
- To meet the any additional conditions of the contract, other steps may need to be taken.

**FACT:** The buyer may request that the appraisal not be ordered until the results of the mechanical inspection have been reviewed. Buyers who are not satisfied with the mechanical inspection report may renegotiate the terms, or withdraw the contract and recover the earnest money.
The example to the left illustrates Schedule A of the title commitment.
SCHEDULE B

The example to the left illustrates Schedule B of the title commitment.

SCHEDULE B – Section 1
Requirements

The following requirements must be met:

a. Pay the agreed amounts for the interest in the land and/or for the mortgage to be insured.
b. Pay us the premiums, fees and charges for the policy.
c. The Company will require that an Affidavit and Indemnity Agreement be completed by the party(s) named below before the issuance of any policy of title insurance.

Party(s):
The Company reserves the right to add additional items or make further requirements after review of the requested Affidavit.
d. Deed of Trust sufficient to encumber the estate or interest in the land described or referred to herein for the benefit of the Proposed Insured Lender.
e. Furnish for recordation a full release of deed of trust:

Amount:
Trustor/Grantor:
Trustee:
Loan No.:
Beneficiary:
Recording Date:
Recording No.

Click to view Tax Info

NOTE: Bundled Loan Premium Rate includes: Loan Policy Premium, Included Loan Endorsement Charges and Tax Certificate Charge. (Contact your Escrow Officer for the Tax Certificate)

NOTE: Exception(s) number(ed) 1-4 will not appear on the Loan Policy. Exception number 5 will be removed from the policy provided the company conducts the closing.

24 MONTH CHAIN OF TITLE, FOR INFORMATIONAL PURPOSES ONLY:
The following vesting deeds relating to the subject property have been recorded in the Clerk and Recorder’s office of the County in which the property is located:
There are no conveyances affecting said land recorded within 24 months of the date of this report.

END OF REQUIREMENTS

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SCHEDULE B

05/23/2012 9:53:33 AM
Commitment No.: 595-69412293-187-TMS

SCHEDULE B – Section 2

Exceptions

Any policy we issue will have the following exceptions unless they are taken care of to our satisfaction:

1. Any facts, rights, interests or claims that are not shown by the Public Records but which could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.

2. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.

3. Any encroachments, encumbrances, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by Public Records.

4. Any lien or right to a lien, for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the Public Records.

5. Defects, liens, encumbrances, adverse claims or other matters, if any, created, first appearing in the Public Records or attaching subsequent to the effective date hereof but prior to the date the proposed Insured acquires of record for the value the estate or interest or mortgage thereon covered by this Commitment.

6. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof, (c) water rights, claims of title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.

7. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.

8. All taxes and assessments, now or hereafter assessed, due or payable.

9. Covenants, conditions and restrictions and other instruments recorded in the Public Records purporting to impose a transfer fee or a conveyance fee payable upon the transfer of an interest in real property or payable for the right to make or accept such a transfer, and any and all fees, liens, or charges, whether recorded or unrecorded, if any, currently due and payable or that will become due and payable, and any other rights deriving therefrom, that are assessed pursuant thereto.

10. All existing roads, highways, ditches, utilities, reservoirs, canals, pipelines, power, telephone, or water lines, railroads, aircraft takeoff paths and rights of way and easements thereof.

11. All restrictions, covenants, declarations, conditions, leases, agreements and mineral reservations of record, and any and all modifications thereof if any.

NOTE FOR BUNDLED LOAN POLICY: Unless stated contrary herein, the Company will incorporate and provide the following ALTA/Colorado endorsement(s) (including the versions of ALTA 06 endorsements) on the ALTA Short Form Residential Loan Policy or ALTA Loan Policy, together with or included in said loan policy is a tax status letter, commitment vesting and all-inclusive rate.

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The example to the left illustrates Schedule B of the title commitment.
The example to the left illustrates Schedule B of the title commitment.
The example to the left illustrates a Consumer Financial Protection Bureau (CFPB) closing disclosure.
The example to the left illustrates a Consumer Financial Protection Bureau (CFPB) closing disclosure.
The example to the left illustrates a Consumer Financial Protection Bureau (CFPB) closing disclosure.
Loan Processing and Title Work (continued)

The example to the left illustrates a Consumer Financial Protection Bureau (CFPB) closing disclosure.
The example to the left illustrates a Consumer Financial Protection Bureau (CFPB) closing disclosure.

### Loan Calculations

<table>
<thead>
<tr>
<th><strong>Total of Payments</strong></th>
<th>Total you will have paid after you make all payments of principal, interest, mortgage insurance, and loan costs, as scheduled.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Finance Charge</strong></td>
<td>The dollar amount the loan will cost you.</td>
</tr>
<tr>
<td><strong>Amount Financed</strong></td>
<td>The loan amount available after paying your upfront finance charge.</td>
</tr>
<tr>
<td><strong>Annual Percentage Rate (APR)</strong></td>
<td>Your costs over the loan term expressed as a rate. This is not your interest rate.</td>
</tr>
<tr>
<td><strong>Total Interest Percentage (TIP)</strong></td>
<td>The total amount of interest that you will pay over the loan term as a percentage of your loan amount.</td>
</tr>
</tbody>
</table>

### Other Disclosures

#### Appraisal
If the property was appraised for your loan, your lender is required to give you a copy at no additional cost at least 3 days before closing. If you have not yet received it, please contact your lender at the information listed below.

#### Contract Details
See your note and security instrument for information about:
- What happens if you fail to make your payments.
- What is a default on the loan.
- Situations in which your lender can require early repayment of the loan, and
- The rules for making payments before they are due.

#### Liability after Foreclosure
If your lender forecloses on this property and the foreclosure does not cover the amount of unpaid balance on this loan,
- State law may protect you from liability for the unpaid balance. If you refinance or take on any additional debt on this property, you may lose this protection and have to pay any debt remaining even after foreclosure. You may want to consult a lawyer for more information.
- State law does not protect you from liability for the unpaid balance.

#### Loan Acceptance
You do not have to accept this loan because you have received this form or signed a loan application.

#### Refinance
Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.

#### Tax Deductions
If you borrow more than this property is worth, the interest on the loan amount above this property's fair market value is not deductible from your federal income taxes. You should consult a tax advisor for more information.

### Contact Information

<table>
<thead>
<tr>
<th>Name</th>
<th>Lender</th>
<th>Mortgage Broker</th>
<th>Real Estate Broker (B)</th>
<th>Real Estate Broker (S)</th>
<th>Settlement Agent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address</td>
<td></td>
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</tr>
<tr>
<td>NMLS ID</td>
<td>License ID</td>
<td>Contact</td>
<td>Contact NMLS ID</td>
<td>Contact License ID</td>
<td>Email</td>
</tr>
</tbody>
</table>

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The Mechanical Inspection

What Buyers Should Expect
A comprehensive home inspection entails two inspections: the “mechanical inspection” and the “whole-house inspection”.

The mechanical inspection is one in which the inspector observes the systems and components that run by water, gas or electricity.

The following guidelines for a mechanical inspection were issued from the Kansas City-based Society of Professional Property Inspectors (SPPI):

**Heating, Air Conditioning, and Venting**
The inspector should observe and briefly test such systems as pertain to the structure. This observation and test shall be limited to the use of normal operational controls. The inspector is not required to operate systems that are shut down.

Certain ambient conditions may not allow the inspector to test a system or component. If the ambient temperature outside the structure is below 65 degrees Fahrenheit the inspector is not required to test air conditioning systems or components.

If the ambient temperature outside the structure is above 80 degrees Fahrenheit, the inspector is not required to test heating systems or components.

The inspector should observe the heating system and its component parts to determine if the system is in working condition and to determine if the system is safe.

If, in the inspector’s opinion, the condition of the heating system is not safe, the inspector can and should identify that fact to all present and also indicate this unsafe condition in writing.

If, in the inspector’s opinion, danger to the occupants of the structure is imminent and life threatening because of the unsafe heating system, the inspector shall endeavor to shut down said system.

Such situations deal only with forced air and gravity air heating systems that use wood and fossil fuels and produce carbon monoxide as a possible by-product of combustion.

The inspector shall observe the air conditioning system and its component parts, and determine if it is in working condition. Working condition is defined as follows: the system responds to the normal operational controls and produces a minimum 10 degree temperature difference between incoming air and outgoing air.

The inspector is not required to observe or test other systems or components that are sometimes added to central heating and air conditioning systems such as humidifiers, free standing wood appliances, solar systems or components.

The inspector shall observe the venting systems and components and determine if they are in working condition. This shall be done by the normal user controls. The inspector is not required to test or observe auto thermostat controlled roof exhaust systems.

**Plumbing Systems**
The inspector shall observe and test the visible plumbing system and its components. This shall be done by operating the plumbing system and by observing the exposed piping used to carry water, waste water and gas.

Testing for the escape of gas, whether natural gas or propane, should be done within the structure by the inspector by an approved methods such as soap bubbles, test by Tif model 8800 or by ultra sound detection.

If, in the opinion of the inspector, an unsafe condition exists due to a gas leak within the structure, the inspector shall identify the leaks to all present. He shall also notify all parties in writing of said condition.

If, in the opinion of the inspector, there is an imminent danger to the occupants or the structure the inspector shall endeavor to shut down the gas system.

If, for whatever reason, the inspector cannot or is not allowed by those parties present at the inspection to shut off the gas to the structure, he may contact the Fire Marshal with local jurisdiction and inform him of the unsafe condition.
Plumbing components shall be tested for functional flow and functional drainage, and checked to see if there are any cross connections. Shower stall walls and floor pan shall be deemed part of the plumbing waste system and observed for damage or leaks.

The inspector is not required to observe or test certain plumbing components such as, but not limited to, water conditions systems, sprinkler systems, floor drains, laundry drains, private sewer and private water systems swimming pools and hot tubs.

Electrical Systems
The inspector shall observe and test the visible electrical power systems for safety and working conditions. It is required of the inspector to remove the main electrical panel cover to observe the components within, specifically including the amperage size of the main electrical panel, the conductor material used and the presence of main panel ground.

The inspector shall test and observe the condition of a representative number of electrical devices throughout the structure, and all devices within six feet of a plumbing source.

The inspector is not required to observe or test certain electrical power components such as photo eyes, exterior detached lighting, and timing devices.

The inspector is also not required to observe or test certain electrical low voltage systems and components such as, but not limited to, security systems, central vacuum systems, intercom systems and low voltage remote relay lighting systems.

Household Appliances
The inspector shall observe and test the household appliances that are within the structure. This testing and observation will be limited to using the normal operator controls. The inspector will test a representative number of cycles of those appliances that have multiple cycles.

The inspector is not required to test self-cleaning and time-bake cycles and clock timers, of ovens and ranges. The inspector is also not required to observe or test other household appliances such as, but not limited to, window or room air conditioners, refrigerators, hot water dispensers, dehumidifiers, gas grills, washers and dryers.

Garage door openers shall be tested by the permanently mounted trigger button and observed for working condition and safety. The inspector shall use an approved test procedure for testing the safety mechanism features. The inspector is not required to test garage door opener remote control devices.

Miscellaneous
The inspector is not required to enter into the attic cavity of the structure unless the heating or air conditioning system or components are located in that space. The inspector is not required to observe any air conditioning system components that are mounted on roofs. The inspector is not required to observe or test radon mitigation devices.

The inspector should make his findings available both verbally and in writing to the individual or individuals that have contracted inspection service from him.

The inspector cannot require repairs. The inspector can only make a list of recommendations for repairs. The inspector is not required to give an estimate for the cost of any repairs he may have recommended.

The purpose of the mechanical inspection is to disclose the condition of the mechanical systems of the structure at the time of the inspections only. The course of action, based on the recommendations of the written inspection report, is a matter for resolution between buyer and seller.

Source: The Kansas City Star, August 13, 1995
Loan Underwriting
A loan underwriter will audit the complete loan package, any investor requirements, and automated conditions to guarantee that the loan is in compliance and can be purchased in the secondary market.

**TIP:** It is an advantage in time, convenience, and accessibility to have an approved, delegated underwriter working for the mortgage company with whom the buyer is working.

Working with an approved, delegated underwriter from the buyer’s mortgage company insures that the loan package will not leave the buyer’s mortgage company’s office. The buyer, as well as the loan officer, are in a stronger position if the loan file is processed and underwritten locally. FHA (DE), VA (SAR), Fannie Mae, and Freddie Mac approved underwriters are authorized to approve the loans for the company by whom they are employed.

The Final Walk-through
The final walk-through, arranged through the buyer’s agent, is completed to confirm that the property’s condition has not changed, any agreed-upon repairs have been made, and the terms of the contract will be met.

**TIP:** After the loan is approved and prior to closing, the buyer(s) will walk-through the property to determine that all mechanical systems are in working order and all conditions of the contract have been met.

Loan Closing
The seller(s) normally will go to the Title/Escrow company prior to the closing date to sign the warranty deed, along with other documents. Additionally, the buyer will also go to the Title/Escrow company to sign the following documents:

**Closing Disclosure**
The closing disclosure is an accounting summary of the transaction between the buyer and the seller, including the out-of-pocket expenses, purchase price and loan details. This document will closely resemble a loan estimate document.

**Deed of Trust or Mortgage**
The Deed of Trust or mortgage is an instrument in which you pledge the property as collateral. Some states, such as Missouri, are Deed-of-Trust states. Others, like Kansas, are mortgage states. There are additional agreements that the mortgagor(s) and purchaser(s) will make related to proper maintenance of the property, homeowner’s insurance, escrow accounts, acts of eminent domain, and selling portions of the property.
Owning Your Own Home

The Home Ownership Advantage
Owning your own home, enjoying your neighbors and building fond memories are just a few of the reasons why owning your own home can be an enjoyable experience. Additionally, there are significant financial advantages including:

Tax Deductions
For both federal and state income taxes, mortgage interest and property tax obligations are usually fully deductible.*

Appreciation
Homes generally are considered a safe, steady investment, with values that rise while debt amount drops.

Equity
Equity, the portion of property that’s actually owned, rises gradually over time, allowing for increased savings or a larger down payment on the purchase of a second home.

Borrowing Power
Additionally, equity can be used to secure a loan or obtain a line of credit, meaning more buying power to fund home improvements or to assist with the purchase of investment property.

Stability
Home owners with fixed-rate mortgages have the same payment for up to 30 years. Even those with adjustable rates have a cap and can figure out their maximum potential mortgage payment.

Get to Know Your Home
As a homeowner, it is necessary to get to know your home, as well as your neighbors. Initially, take a moment to familiarize yourself with:

• The mechanical aspects of your home: the electrical box, water shut-off and gas shut-off

• Safety Measures: obtain emergency phone numbers, fire extinguishers, smoke detectors, and create an emergency evacuation plan.

• Theft Prevention: change locks, insure all windows have locks, consider a security system, which could reduce insurance costs

Budgeting
Staying in control of your finances will make home ownership much more enjoyable. The following tips will guide you in the right direction:

• Create a budget calendar that includes due dates for mortgage, utility, insurance, and other payments.
• Keep track of monthly expenditures and note when expenses exceed your budget.
• Make payments on time, every time to preserve your credit rating and avoid late fees.
• Plan for periodic expenses, such as repairs, vacations, and birthday and holiday gifts.
• Adhere to a regular savings plan for investments and retirement.
• Build an emergency fund for unexpected expenses.
• Plan ahead for major items such as cars or college tuition.
• Think about the advantages associated with prepaying your mortgage.
• Meet with your tax advisor the discuss how you can reduce your tax liability.

*Please consult with your tax advisor on any tax-related financial decisions.
Owning Your Own Home (continued)

Home Maintenance
Periodic maintenance of your home may help you avoid unexpected larger repairs. The following checklists include seasonal recommendations for home maintenance that can be executed on your own or with the help of a professional.

### SEASONAL MAINTENANCE CHECKLIST

#### Fall Checklist

**Outside**
- Check all weather stripping and caulking around windows and doors. Replace or repair as needed.
- Check for cracks and holes in house siding; fill with caulking as necessary.
- Remove window air conditioner, or put weatherproof covers on them.
- Take down screens (if removable). Clean and store.
- Check storm windows and doors; clean and repair as needed.
- Drain outside faucets.
- Clean gutters and drain pipes, so leaves won’t clog them.
- Check roof for leaks; repair as necessary.
- Check flashing around vents, skylights, and chimneys for leaks.
- Check chimney for damaged chimney caps and loose or missing mortar.
- Check chimney flue; clean obstructions. Make sure damper closes tightly.

**Inside**
- Check insulation wherever possible. Replace or add as necessary.
- Have heating system and heat pump serviced; have humidifier checked.
- Change or clean filters on furnace.
- Drain hot water heater and remove sediment from bottom of tank; clean burner surfaces; adjust burners.
- Check all faucets for leaks; replace washers if necessary.
- Check and clean humidifier in accordance with manufacturer’s instructions.
- Clean refrigerator coils.

#### Spring Checklist

**Outside**
- Check all weather stripping and caulking around windows and doors, especially if you have air conditioning.
- Check outside the house for cracked or peeling paint. Caulk and repaint as necessary.
- Remove, clean, and store storm windows (if removable).
- Check all door and window screens; patch or replace as needed. Put screens up (if removable).

**Inside**
- Replace filters on air conditioners.
- Check dryer vent, stove hood, and room fans; clean if necessary. Change or clean filters on furnace.
- Check seals on refrigerator and freezer; clean refrigerator coils and burner surfaces; adjust burners.
- Clean fireplace; leave damper open for improved ventilation if home is not air conditioned.
- Check basement wall and floors for dampness; if moist, remedy as appropriate.
- Clean dehumidifier according to manufacturer’s instructions.
- Check leaky faucets and replace washers as necessary.
- Check attic for proper ventilations; open vents.
- Check drapes and blinds; repair as needed.
Experience
NBKC Bank’s loan professionals collectively have closed billions of dollars in loans. You can relax knowing that your loan is in expert hands.

Ease and Accessibility
NBKC Bank’s customized loan options and personalized customer service make finding the right loan easier than ever. With more than 50 loan products available, we can customize your loan to your unique situation.

With our own underwriting and in-house processing, NBKC Bank is able to offer home buyers lower closing costs and hassle free, on-time closings. Working with us gives you the low rates of a mortgage lender with the safety and security of a well established bank.

Wisdom
NBKC Bank’s loan professionals’ knowledge as it relates to the following products is second to none.

- First-time home buyer programs
- Easy and free pre-approvals
- Conventional, fixed, and adjustable rate programs
- Conforming Loans
- Jumbo Loans
- VA Financing
- FHA Financing

Let’s Talk Today
NBKC Bank is ready when you are ready. Inquire online at www.nbcmortgage.com or call 1-800-375-8096 to talk to one of our friendly loan professionals.