

Welcome

Your Home Buying Dreams are Within Reach

Few things in life compare with the pride and satisfaction you get from owning your own home. Whether you're a first-time buyer, moving up or downsizing, buying a home is one of the most significant purchases you'll make. A home is a long-term investment that often represents the foundation of your life, providing financial and emotional security and a lifetime of memories. It can also be one of the smartest and, over the long term, most secure investments you can make.

Citizens Bank is Here to Help

We'll help you understand the process, find the right loan, and enjoy a rewarding home buying experience. Citizens Bank specializes in tailoring our home borrowing packages to fit your unique financial picture.

Whether you're a first-time buyer or a repeat buyer, this kit will provide the advice, tools and information you need to help you make informed decisions, get the most out of the home buying process and achieve your current and future home buying goals. We've divided the kit into sections to make it easier and faster for you to find what you're looking for.

If you have questions or need help as you proceed through the home buying process, feel free to contact us at any time. Our contact information is highlighted in the blue box below. We've also included reminders on how to reach us at the bottom of the last page in each section.

Call | 1.888.514.2300

Click | citizensbank.com/homepurchase

Talk to | A banker at any Citizens Bank branch or your Lending Professional



Deciding if Homeownership is Right for You

How can you tell whether owning a home would benefit you? A good way to find out is by considering the many ways homeownership can affect your life.

Pride of Ownership

There's the personal satisfaction of having a home you can call your own to share and enjoy with friends and family.

Security and Freedom

A home provides a permanent place where your family can live and grow together and you can enjoy the freedom to improve, design, decorate and expand your home to fit your lifestyle.

Tax Advantages

Most homeowners also receive significant tax breaks because interest paid on a home mortgage is almost always tax deductible. You may want to consult a tax advisor for your individual situation.

Building Equity

As time goes by, you can build equity which you may be able to borrow against if you choose. If your home "appreciates" — increases in value over time — equity builds even faster. Building equity — or value — in your home is important. For many people, it lets them achieve other important financial goals such as retirement or a college education.

So You're Ready to Buy — A Step-By-Step Guide

Financial preparation is the first — and perhaps the most important — step in the home buying process. Get ready for your home purchase by taking a careful look at your finances, including your savings, credit, income and debt.

Determine Your Purchasing Power

One of the first questions you'll need to answer is how much home you can afford.

The answer largely depends on your income and current monthly debt payments. Once you determine how much you can afford to pay each month, you'll be able to focus on homes in your price range.

To help determine how much house you can potentially afford, consult your Citizens Bank Lending Professional or use our online calculator.

In addition, remember it is important to consider both the upfront and ongoing costs associated with purchasing a home during the planning stage.

Understanding the Costs

Upfront Costs

Your upfront costs will typically include your down payment, the cost of the home inspection and your closing costs.

Down Payment

Down payment requirements typically range from 5% to 20% of the cost of the house. The more you can put down, the greater equity you'll have in your home and the lower your monthly payment will be. For down payments less than 20% you may also be required to pay mortgage insurance.

Home Inspection

A good home inspection may range from \$200 to \$900, depending on rates in your local area and is required by lenders before qualifying for a loan.

Closing Costs

Closing costs typically range from 2% to 6% of the loan amount depending on your area. These costs include fees that you'll need to pay to state and local governments as well as fees associated with obtaining and originating your mortgage.

Ongoing Costs of Ownership

Homeownership has some wonderful advantages. However, there are some additional costs involved that you may not incur as a renter. Make sure you consider these in your monthly budget when deciding if homeownership is right for you. Your ongoing housing costs may include some or all of the following expenses:

Monthly Mortgage Payment

Add principal, interest, taxes and insurance per month to get your total monthly payment on the mortgage.

Required Homeowner's Insurance and Flood Insurance (if applicable)

Most lenders require the purchase of a homeowner's insurance policy to protect your home against loss due to legal liability, fire, flood, or natural causes. Check with a local insurance agent to get an estimate of your annual homeowner's insurance cost.

Mortgage Insurance (if applicable)

Mortgage insurance is required on mortgage transactions if you make less than a 20% down payment.

Property Taxes

Check with your real estate agent or a local property tax assessor to get an idea of what the annual real estate tax would be on a home in your price range in your area. The good news is that property tax payments should be fully deductible at income tax time. Consult your tax advisor.

Utilities

Many times home buyers forget to consider the costs of local municipality utilities such as water, garbage removal, gas and electricity. You may also want to factor in other monthly bills like phone and cable TV.

Maintenance

It takes time and money to keep a property in top condition. Depending on the size and age of the house, these costs can be significant.

Helpful Tips

1. Get your credit history in order before beginning the home buying process.
2. Develop a monthly budget based on your income and expenses so you can determine a realistically affordable mortgage payment.
3. Consult with your lender to determine what type of mortgage is best for you and your situation.
4. Determine your needs and wants — what features do you need in a new home versus what features do you want? Don't make an emotional decision. Make a well thought out financial one.
5. Take time to learn important mortgage and home buying terms and understand their meanings.
6. Get pre-approved for a mortgage so you are aware of what you can afford as well as prepared to seriously consider your purchase options. Sellers will take your offer more seriously if you're pre-approved.
7. Investigate the details of your deal — are there additional costs, such as origination and/or application fees?
8. Work with a professional Realtor and begin visiting as many homes as possible. If you are a repeat buyer and already have a Realtor, make sure he/she is a specialist in your area or talk to them about referring you to a colleague who is. Realtors can provide sound advice regarding the home buying process. Your agent will consider all your desires and options in order to provide the expert opinions and advice that will allow you to make the best decision possible.
9. Research the market. Knowing the facts is key to paying less and it will also improve your negotiating strength. When you know the market and home values, you are less likely to overpay for a property.
10. Use the Comparative Market Analysis (CMA) and full MLS listing details of the most similar comparable properties. This way, you'll arm yourself with information that will allow you to give the most accurate bids.
11. Spot owners who are eager to sell and most likely to negotiate. It could save you thousands.
12. Have a back-up plan. You and the seller may reach a stalemate when negotiating. Consider developing a back-up plan just in case no agreements are reached during negotiations. Define your maximum offer and do not go over it. There will always be other homes to choose from.

Selecting a Realtor

The majority of real estate transactions take place with the assistance of a professional Realtor — and for good reason. Working with a professional Realtor is the most efficient means of shopping for a home and can help make the home buying process an easy, hassle-free experience.

A real estate professional:

- Helps you assess your wants and needs to find the perfect match between what you can afford and the home that best suits your preferences.
- Accesses all the properties on the market in your desired area and price range that fit your individual home needs.
- Negotiates for you. Once you have found the home you want to buy, your Realtor will write up your purchase offer and present it to the seller. This gives you the best opportunity to have your contract accepted.
- Gets the right price. Your Realtor is a specialist in your area and knows the market inside out so you will get the best price possible.
- Protects your rights. Real estate laws have become increasingly complicated. Your real estate agent is there to assist you as an informed expert in every way.

Your Guide to Making Educated Home Buying Decisions

This section will take you through the home buying process, highlighting what you'll encounter along the way.

Get a Head Start — Get Pre-Approved

Before you begin searching for a home, and once you have determined your potential budget, we highly recommend you ask your Citizens Bank Lending Professional about pre-approval.

If your mortgage requires mortgage insurance, part of your monthly payment will cover that cost. If you have set up an escrow account for your mortgage, a portion will be applied toward your property taxes and homeowner's insurance.

By completing your mortgage application prior to choosing a home, you can receive a pre-approval letter that lets you know approximately how much home you can qualify for and gives you the peace of mind that your financing is one step closer to being in place.

In addition, many sellers will require a pre-approval letter prior to reviewing an offer. So lining up your financing ahead of time will empower you to get your offer in quickly in hot real estate markets.

Your Down Payment

A 20% down payment is required in order to avoid mortgage insurance. However, it is possible to buy a home with less than 20% down.

Getting Qualified for Your Mortgage

In general, all lenders use the same basic standards to approve applicants for a mortgage. Generally these include: income, credit history, personal savings and collateral.

Income

A lender will look to see if you have a stable source of income from month-to-month and year-to-year. A minimum of two years of consistent income is the standard guideline, but exceptions can be made. You will need to provide documentation regarding your income.

Credit History

A credit score is a number that indicates how likely a borrower is to repay future debts. Credit scores speed up the mortgage approval process for many people because they quickly identify low-risk borrowers.

Things a lender will be looking for include:

- Have you paid back money you borrowed in the past?
- Have you been late in making your payments?
- Have you ever filed for bankruptcy?
- Do you have a record of judgments and collection accounts filed?
- Are you maxed out on credit cards?

Savings and Personal Assets

A lender will be looking to see that you have enough savings to meet your current obligations as well as your new mortgage. A general rule of thumb is that you should have enough savings to act as a source of funds for your down payment and several months of reserves to cover your anticipated monthly mortgage payments should anything happen to you or your job.

The Home Buying Process

A lender will verify your savings by looking at:

- Current balances and recent statements for any bank accounts, including checking and savings.
- Account statement showing current market value of any investments you may have such as stocks, bonds or certificates of deposits.
- Documentation showing interest in retirement funds.
- Value of significant personal property including automobiles.

Have you saved enough money that can be used toward the purchase of your home? If you open a Citizens Bank HomeBuyer SavingsSM account and save at least \$100 a month for 36 months, you'll receive \$1,000 toward closing costs when you finance your new home with Citizens Bank.*

Completing Your Loan Application

Your Citizens Bank Lending Professional will be with you every step of the way to help you complete any remaining application requirements after you have been pre-approved.

A Step Closer to Ownership — Your Loan Approval

After you've completed the application, your lender will verify the information you provided and return a decision on your application. This means your lender will review your credit report and other financial information to make an underwriting decision regarding your loan application.

The Final Steps

You've applied for your mortgage. Now what? Here's a brief walk-through to help you understand the approval process and give you an idea of what to expect.

Loan Processing

Your Lending Professional will collect the information needed to process your loan. An appraisal will be ordered to determine the fair market value of the property you wish to purchase. You'll have the option to lock in or float your interest rate. It is important to discuss these options with your Lending Professional.

Loan Decision

Many home mortgage applications are approved quickly after required documentation is submitted. However, if your application is not approved, we'll work with you to determine what needs to be done in order for you to obtain financing.

Pre-Closing

Prior to closing, all parties involved will be contacted to arrange for the closing to take place at a convenient time and location. The closing procedure and associated fees vary depending on where you purchase. You'll be notified of the exact amount you need in order to close as well as any additional documents you may need to bring.

Closing

At your closing, ownership of the property is transferred from the seller to you. A closing agent coordinates and distributes all the paperwork and funds, according to the terms agreed upon by you and the seller.

*Minimum to open \$100. Terms, conditions and withdrawal limitations apply. This does not represent a formal commitment for and participation in this savings plan does not guarantee that we will provide you with a mortgage loan. To obtain the \$1,000 credit you must separately qualify, be approved and close on a mortgage with us within 3 years after the end of the 3-year savings period. Your account must remain open until you close on a mortgage loan with us. One credit per mortgage loan. Patent Pending.

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A Variety of Mortgages to Support Your Home Buying Goals

Selecting the right mortgage is central to the home buying process — that's why it's so important to understand your options. It's a good idea to gain a basic understanding of the kinds of mortgages that are available and the mortgage terms that offer the repayment schedule that best fits your financial situation.

As your advisor through the mortgage process, your Citizens Bank Lending Professional can help you determine the right loan to fit your needs and design a custom financing solution for you.

Compare Financing Options

Are you looking for the predictable monthly payments of a fixed-rate mortgage? Or do you need lower initial payments available with an adjustable-rate loan? Or perhaps a combination of the two? Whichever it is, we offer a full range of home loan programs with a variety of rate, term and cost options to help save you money.

Save with Circle Gold Mortgage Advantage™

Enroll in Circle Gold Mortgage Advantage™ and you'll receive 1/8% off your mortgage rate. Also, monthly maintenance fees are waived for Circle Gold Mortgage Advantage™ customers — a \$20 per month savings.*

Types of Mortgages Available

Fixed-Rate Mortgages

If you want the stability of a fixed-rate mortgage, we offer a variety of programs with short to long terms, low down payment requirements and other features that make home buying affordable.

- Interest rate remains fixed for the life of the loan.
- Predictable monthly payments of principal and interest throughout the life of the loan.
- Protection from rising rates. No matter how high market rates go, your interest rate stays the same.
- Generally well-suited to borrowers who plan to stay in their homes for a longer period of time, have a fixed or slowly increasing income, and have a lower tolerance for financial risk.

Adjustable-Rate Mortgages

Usually, adjustable-rate mortgages (ARMs) offer a lower interest rate than a fixed-rate loan at the start of the loan term, making the payments lower in the beginning. ARMs may be a better fit for borrowers who may choose to sell or refinance sooner rather than later, can manage the larger monthly payments after the rate adjusts, or are looking to buy a home when interest rates are relatively high. Our 3/1, 5/1 and 7/1 adjustable-rate mortgages offer the stability of a set rate for the initial term plus the lower initial rate of an ARM and offer the following benefits:

- Save with lower interest rates.
- Protect your interest rate for an extended period of time.
- No prepayment penalty.

Interest-Only Loans

Interest-only loans allow you the flexibility to make lower payments when needed. The minimum loan payment covers the interest portion of the loan only, giving you the flexibility to decide how much principal you pay each month. You can pay little or none if money is tight, or a lot if you have extra money that month.

Jumbo Mortgage

If you have larger borrowing needs, you'll like the rates of our jumbo mortgages. These mortgages come with all of the special features that distinguish our home borrowing programs, such as interest-only payment options.

*Circle Gold Checking with automatic payment deduction required. One offer per property. Not applicable to Bond, CRA or our Jumbo Loans. Exclusions and restrictions may apply.

Some Things to Consider When Choosing a Mortgage

When you're comparing mortgage rates and programs, it is important to understand the following information:

What You Need to Know About Points

Points are a one-time fee that a borrower pays to lower the interest rate. One point equals one percent of your loan amount. The more points you can or wish to pay, the lower your interest rate will be. When inquiring about rates, be sure to ask if the quoted interest rate reflects payment of points.

What You Need to Know About the Annual Percentage Rate

When you're shopping for a home mortgage, make sure you ask lenders for the annual percentage rate (APR) as well as the interest rate. The interest rate is the cost to borrow the money disbursed in the loan. The APR is the total cost over the scheduled life of the loan, including costs, points and fees.

Do I Need a Down Payment?

For first mortgage financing, Citizens Bank offers low down payment financing. Opportunities are dependent on the loan product, loan purpose, occupancy and credit profile. Loans may be up to 95% of a property's current appraised value. Be sure to ask your banker or Lending Professional how this will affect your loan.

What is Mortgage Insurance?

Mortgage insurance protects lenders against losses that can occur when a borrower defaults on a mortgage. Mortgage insurance is required on conventional first mortgage transactions when the borrower has less than a 20% down payment. The cost of the mortgage insurance is typically added to the monthly mortgage payment.

What are the Closing Costs?

Closing costs include items like fees for appraisal, title insurance, attorneys, pre-paid interest and documentation. These items usually vary for each customer due to differences in the type of mortgage, the property location and other factors. You will receive a good faith estimate of your closing costs in advance of your closing date to review your specific fees.

What Amounts are Included in My Monthly Payments?

Portions of your monthly home mortgage payment will go toward the loan principal and interest. Interest-only mortgage payments include only the interest that is due on the outstanding principal.

No matter the type of mortgage product you have, you can always make additional payments toward principal, which will help you pay off your loan quicker and save you money in interest.

Buyer's Checklist

You may want to make several copies of this checklist and fill out one for each home you tour. Then, comparing your ratings will be easier later.

The Home

Square footage _____

Number of bedrooms _____

Number of baths _____

Practicality of floor plan _____

Interior wall's condition _____

Closet storage space _____

Basement _____

Fireplace _____

Cable TV _____

Basement dampness or odor _____

Exterior appearance/condition _____

Lawn/yard space _____

Fence _____

Patio or deck _____

Garage _____

Energy efficiency _____

Screens/storm windows _____

Roof age/condition _____

Gutters and down spouts _____

Schools

Age/condition _____

Reputation _____

Quality of teachers _____

Achievement test scores _____

Play areas _____

Curriculum _____

Class size _____

Busing distance _____

The Neighborhood

Appearance of nearby homes _____

Traffic _____

Noise level _____

Safety/security _____

Age mix of inhabitants _____

Number of children _____

Pet restrictions _____

Parking _____

Zoning regulations _____

Neighborhood restrictions _____

Fire protection _____

Garbage service _____

Snow removal _____

Police _____

Convenient To

Supermarket _____

Schools _____

Work _____

Shopping _____

Childcare _____

Hospitals _____

Doctor/dentist _____

Recreation/parks _____

Entertainment _____

Church/temple _____

Airport _____

Highways _____

Public transportation _____

Helpful Checklists

Moving Checklist

One Month Before Moving

- Call 1-800-829-1040 to obtain an IRS change of address form.
- Update driver, pet and other license data, and voter, vehicle and vessel registrations.
- Gather moving supplies, boxes, tape and rope.
- Make any necessary travel arrangements like airline, hotel and car reservations.
- Call a moving company or make truck rental reservations to move yourself.
- Finalize real estate needs.
- Place legal, medical and insurance records in a safe accessible place.
- Use the change of address form to tell your Post Office of your move.
- Redirect newspaper and magazine subscriptions.
- Inform friends and family members.
- Notify banks, insurance companies and other financial institutions.
- Notify doctors, dentists and other service providers.
- Notify state and federal tax authorities and other government agencies.
- Save moving receipts (many moving expenses are tax deductible; speak with your tax advisor about your moving expenses).

Two Weeks Before Moving

- Inform gas, water, electric, local telephone and trash removal services of your move.
- Sign up for services at your new address.
- Inform long distance phone company of your move.
- Recruit moving day help.
- Confirm travel reservations.
- Arrange to close or transfer your bank accounts, if appropriate.

The Day Before Moving

- Set aside moving materials like tape measure, pocket knife, packing boxes and markers.
- Pick up rental truck.
- Check oil and gas in your car.
- If traveling, check that you have tickets, charge cards and other essentials.

Documentation Checklist

In addition to personal identification, financial documents are also required when applying for a mortgage. These may be required to process your application, depending upon your individual circumstances:

Personal Identification

- Passport
- Voter's ID card
- Birth certificate
- Social Security number or tax identification number
- A copy of divorce decree or bankruptcy papers, if applicable

Financial and Income Documentation

- Proof of Income/Pay Stubs**
Most lenders will request copies of pay stubs from the last few months.
- Tax Returns**
W-2 forms for the past two years may be requested. Many lenders will ask for up to three years of tax returns. The full tax return should be submitted.
- If You Own Your Own Business or Work on a Commission Basis**
Additional documentation of income may be required – up to a year's worth of pay stubs or even profit and loss statements.
 - If your business is a corporation, include IRS Form 1120.
 - If your business is an S Corporation, include IRS Form 1120s and Schedule K1.
 - If your business is a partnership, include IRS Form 1065 and Schedule K1.
- Investment/Retirement Income**
Account statements showing current market value of any investments you may have such as stocks, bonds, 401k, IRA or certificates of deposits.
- Recent Bank Statements**
Bank account statements for the past few months may also be requested. If you have both checking and savings accounts, statements for both accounts should be submitted.
- Copy of Lease or Rental Verification**
If you're a renter, a current lease or a form signed by the landlord may also be requested. As part of the underwriting process, the mortgage lender may contact the landlord to verify rent paid and whether or not it was paid on time.
- Information on Long-Term Debts**
Evidence of your revolving debt including current loans such as car loans etc.

Property Documentation

- Copy of Sales Contract or Purchase Agreement**
This will include address and description of the property and explain the major terms of sale.
- Proof of Insurance**
A copy of your homeowner's insurance declaration page.