

Definitions

A **Line of Credit** is a loan that allows the customer to borrow a fixed amount of money against approved collateral. Once payments are made to the principal, the borrower can draft additional funds from that fixed amount without re-applying for a new loan. The most common of these is a **Home Equity Line of Credit** where the current equity in your home becomes the maximum amount of the loan. **mb** checks can be provided to draft money or pay bills using these flexible funds.

A **Home Mortgage** is a long-term loan to finance a home or farm purchase. The terms of the loan vary by product and length of the loan.

- **Adjustable Rate Mortgage (ARM)** is one type of home mortgage that allows for the interest rate of the loan to fluctuate as market rates change.
- **Fixed Rate Mortgage** is another type of home mortgage that guarantees the interest rate to remain constant until the loan is paid off or refinanced.

The rates of both these type loans can be improved by automatic payment through **mb** accounts.

Amount Financed is the loan amount applied for less the prepaid finance charges. Prepaid finance charges can be found on the Good Faith Estimate/Settlement Statement (HUD-1 or 1A). For example if the borrower's note is for \$100,000 and the Prepaid Finance Charges total \$5,000, the **Amount Financed** would be \$95,000. The **Amount Financed** is the figure on which the Annual Percentage Rate is based.

Annual Percentage Rate is not the note rate for which the borrower applies. The **Annual Percentage Rate** (APR) is the cost of the loan in percentage terms taking into account various loan charges of which interest is only one such charge. Other charges which are used in calculation of the **Annual Percentage Rate** are Private Mortgage Insurance or FHA Mortgage Insurance Premium (when applicable) and Prepaid Finance Charges (loan discount, origination fees, prepaid interest and other credit costs). The APR is calculated by spreading these charges over the life of the loan which results in a rate higher than the interest rate shown on your Note. If interest was the only Finance Charge, then the interest rate and the Annual Percentage Rate would be the same.

Prepaid Finance Charges are certain charges made in connection with the loan and which must be paid upon the close of the loan. These charges are defined by the Federal Reserve Board in Regulation Z and the charges must be paid

by the borrower. Non-Inclusive examples of such charges are: Loan origination fee, "Points" or Discount, Private Mortgage Insurance or FHA Mortgage Insurance, Tax Service Fee. Some loan charges are specifically excluded from the Prepaid Finance Charge such as appraisal fees and credit report fees.

A **Finance Charge** is the amount of interest, prepaid finance charges and certain insurance premiums (if any) which the borrower will be expected to pay over the life of the loan.

Bi-Weekly Payments. These are payments amounting to one-half the amount of the regular monthly payment paid every 14 days to accelerate repayment, and thus reduce the total interest paid on the loan. This repayment plan is permitted by The Middlefield Banking Company, but not permitted by all lenders.

Equity in mortgage terms is the difference between the value of your home and what you owe on it. The Middlefield Banking Company lends 85% of this figure when calculating a home equity loan or line of credit.

Some Questions to Ask When Comparing Offers:

You've undoubtedly heard the expression "buyer beware", right? Well, comparing an offer from bank to bank is difficult when a customer doesn't know the proper questions to ask. See if these help you spot a good offer from one that doesn't measure up:

When borrowing...

- Q. Will my loan be sold to someone else?
- Q. Can my rate change during the course of the loan?
- Q. Are there penalties for late payments?
- Q. Are there prepayment penalties?
- Q. Can I save money on this loan by bringing my other banking here, such as setting up automatic withdrawal from my account for loan payments?
- Q. Are lending decisions made locally? How flexible is the lending attitude of the decision makers?
- Q. Will this bank allow me to make Bi-Weekly Payments on my loan? How will those payments be applied?
- Q. Do you handle unconventional lending? Like for a farm, or property that is not typical?
- Q. How much will it actually cost me to process this loan?
- Q. How do points or loan fee impact my loan?
- Q. What will my annual percentage rate (APR) be?

Main Office

15985 East High Street • 440-632-1666 or 888-801-1666
Lobby and Drive Thru Hours: Mon, Tues, Thurs 8:00 am to 5:00 pm;
Fri 8:00 am to 7:00 pm; Wed and Sat 8:00 am to noon

West Branch

15545 West High Street • 440-632-1666 or 888-801-1666
Lobby and Drive Thru Hours: Mon, Tues, Thurs 8:00 am to 5:00 pm;
Fri 8:00 am to 7:00 pm; Wed and Sat 8:00 am to noon

Garrettsville

8058 State Street • 330-527-2121 or 888-801-2121
Lobby and Drive Thru Hours: Mon, Tues, Wed, Thurs 8:00 am to 5:00 pm;
Fri 8:00 am to 7:00 pm; Sat 8:00 am to noon

Mantua

10519 Main Street • 330-274-0881 or 877-274-0881
Lobby Hours: Mon, Tues, Thurs 8:00 am to 5:00 pm; Fri 8:00 am to 7:00 pm
Wed and Sat 8:00 am to noon

Chardon

348 Center Street • 440-286-1222 or 888-801-1666
Lobby and Drive Thru Hours: Mon, Tues, Wed, Thurs 8:00 am to 5:00 pm;
Fri 8:00 am to 7:00 pm; Sat 8:00 am to noon

Orwell

30 South Maple Street • 440-437-7200 or 888-801-1666
Lobby and Drive Thru Hours: Mon, Tues, Wed, Thurs 8:00 am to 5:00 pm;
Fri 8:00 am to 7:00 pm; Sat 8:00 am to noon

Newbury

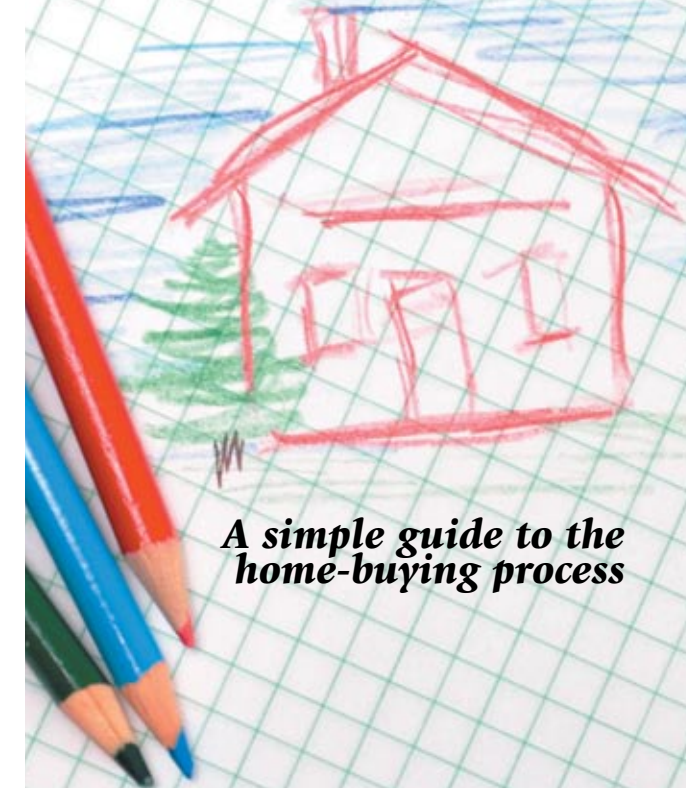
11110 Kinsman Road, Unit #1 • 440-564-7000 or 888-801-1666
Lobby and Drive Thru Hours: Mon, Tues, Wed, Thurs 8:00 am to 5:00 pm;
Fri 8:00 am to 7:00 pm; Sat 8:00 am to noon

Cortland

130 Windsor Drive • 330-637-3208 or 888-801-1666
Loan Production Office Hours:
Mon, Tues, Wed, Thurs, Fri 8:00 am to 5:00 pm



Preparing for the Purchase of a Lifetime



A simple guide to the home-buying process

Presented by

The Middlefield
Banking Company
www.middlefieldbank.com

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A simple guide to the home-buying process

Buying a home is a big step in life.

It requires some preparation and a little self-education. That's where we can help. Some of the things you'll need to consider in the home-buying process are:

- How much house can I afford?
- What kind of a mortgage is best for us?
- What do I bring to the application appointment, and how long does it take to get approved?
- What kind of fees should I expect to be charged?
- How long will I be paying on my home and are there any ways to shorten that time?

Step One: The Agent

Working with a qualified Real Estate Agent will make your search for the right home much easier. The Middlefield Banking Company can offer you a list of names of local agents if you haven't found one on your own.

Step Two: The Prequalification

Prequalifying for a loan is nothing more than assessing your income and current debt to see how much you can afford to pay monthly. This will help you know what purchase price ranges to seek for your new home.

Establish your Income Ratio:

Total monthly gross income (before taxes) \$ _____

Multiply by 28% X _____ .28

Amount here is money you have available for a mortgage payment including insurance, taxes and interest \$ _____

What is your Total Debt Ratio?

Total monthly gross income (before taxes) \$ _____

Multiply by 38% X _____ .38

Amount here is money you have available for all consumer debt. \$ _____

Now subtract your monthly installment debt (car loans, credit card payments, and other loans) \$ _____

Amount here is the total you have available for your mortgage payment including insurance, taxes and interest. \$ _____

The lesser of your **Income Ratio** and your **Total Debt Ratio** is a safe calculation of a mortgage payment.

Step Three: What do I bring to the application appointment?

A banker will require you to complete a loan application which will ask you about your current debts, so bringing a list of creditors, addresses and account numbers is helpful. You will also be asked for 2 years of tax returns to verify your income.

Once your application is completed, credit and income verifications are performed. Your preliminary loan approval usually takes from 3 to 5 days*. If you have a need to close within a specific timeframe, be sure to tell your lender.

Step Four: Type of Mortgage and Term

Adjustable Rate Mortgage (ARM)

This Mortgage Loan usually offers a lower interest rate, so your mortgage payments will be lower. The rate can fluctuate during the loan term as the economy fluctuates. Your payments can change when this happens. There are "caps" to limit the amount of increases in rate.

This type of loan is good if you expect an increase in your income, plan to sell this home within a short period of time or believe rates will go down soon.

Fixed Rate Mortgage

This Mortgage Loan rate remains the same for the life of the loan. The only way to take advantage of a drop in interest rates is to refinance the loan. With this type you can be certain your payment will remain the same each month. This type of loan is good if you want absolute consistency of payments, if you are on a very tight budget or if you think interest rates will rise.

The term of a Mortgage Loan can vary and can be chosen depending on your long-range plan. They are typically available in 30, 20, 15 and 10-year loans. A 30-year loan will have a higher interest rate and lower payment, and will cost the homeowner more in interest. A shorter pay-off period will result in a lower interest rate, higher payment, and will cost less because it is paid off sooner.

Beware of "Discounted Rates". These rates are established to get a new mortgage with the certainty that the interest rate will rise in the future. During the time of payments on the discounted rate, rarely is the homeowner paying on the principal – they are simply paying interest. These are dangerous loans because the balance can actually increase during the discount time period, putting the homeowner at risk of being unable to repay the loan.

The Middlefield Banking Company will work with customers to lock in certain interest rates during the purchase process to assure the availability of those attractive rates. Ask about this service.

Step Five: The Loan Closing

Once your loan is approved, you will be asked to provide documentation of insurance on the home and property. If you do not have an insurance company, The Middlefield Banking Company can help you by providing you with a list of insurance companies from which to choose.

You may also be asked to bring proof of payment to any association fees due in connection with your particular property (like condominium fees, etc.). Your loan officer will also help with PMI Insurance if your down payment is less than the standard 20%. Closing your loan also requires the payment of closing costs. These include title fees, appraisal fees, credit report fees, title insurance fees, survey, inspections and the like. Your Middlefield Banking Company lender will carefully review these and any prepayments with you so you will know your obligation.

You will be asked at this time about setting up your payments. The Middlefield Banking Company is extremely flexible in this area. You can pay your mortgage monthly, bi-monthly or weekly. Depending on your frequency of payment, you may be reducing your loan term and saving money on interest with no penalty. By keeping your loan current and paying money more frequently, you will be reducing the principal faster, thus shortening your loan term. *mb* also offers better rates for direct withdrawal from a *mb* draft account. Ask your lender.

This brochure is merely a guideline for the loan process. Your personal circumstances may be different.

* Subject to verification