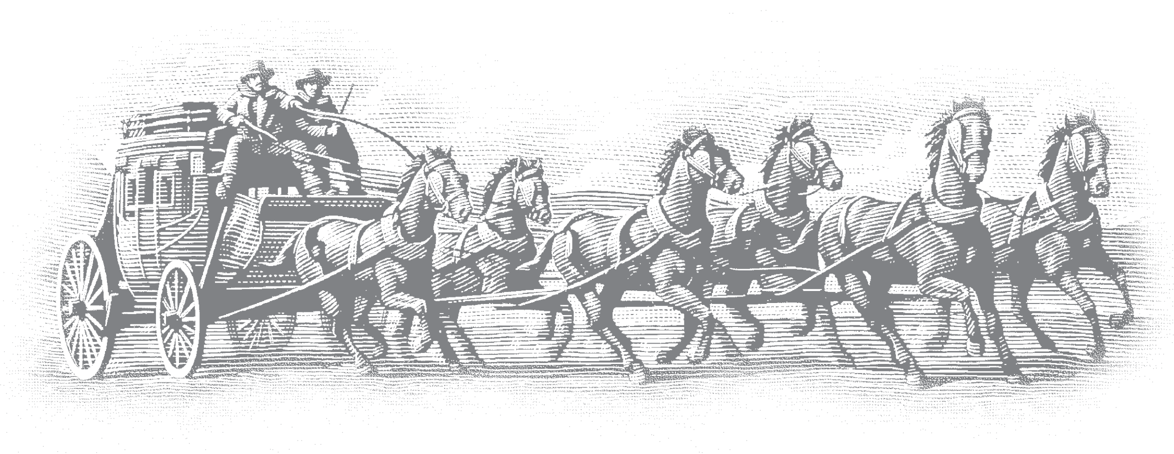
WELLS FARGO HOME MORTGAGE

The Next Stage®

Your Retirement Homeowner's Guide

Realizing The Rewards Of A Lifetime



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Enjoy The Retirement Lifestyle You've Earned

This Is An Exciting Time

Can you believe it? You're ready to consider retirement. Even better, you may be in a position where you can consider it. Once you've gotten over the amazement of realizing that this is for real, you'll also realize that there's a lot to think about and a lot of questions to answer.

- What do you want to do with your retirement?
- Do you want to stay where you are or strike out on a new adventure?
- Do you need to remodel your home in order to stay?
- Do you want a second home to use as a retreat from the current hustle and bustle?

This guide is designed to help you weigh your options and answer the financial questions involved in making your choice a reality.

Find The Location That Works Best For You

Picking that perfect location can be challenging. The best way to start is by weighing your options. Here are a few issues to consider:

Want To Be Near Your Children?

Living near your children and grandchildren and being part of each other's lives can be a great joy. Just remember there's no guarantee they'll live in the same area forever. Any number of life changes could make it necessary for some or all of them to move elsewhere. It's probably a good idea to discuss the likelihood of your children moving before you decide to settle down nearby.

Want To Stay Where You Are?

Home sweet home certainly has its advantages. It's comfortable. You have friends and a community that you know. You're established there and have routines. Now that you'll have more time to call your own and enjoy all that, why not stay? You've probably changed the house to suit past phases of your family's life. Consider changing it again for retirement.

Want A Recreation Getaway?

You may have stayed in your current location because you needed to be close to job opportunities or because it was a great place to raise a family. Both are important, but in retirement you won't have those obligations anymore. Your location possibilities are endless. This could be the time to think about moving to the area of your dreams — maybe even a wooded retreat or a seaside village.

Before committing to an out-of-the-way area, you may want to consider taking a long-term vacation there first. That can give you an idea of what it would be like to live there full-time. You may find out that you need more than just the secluded beach, peaceful mountain, or quaint small town you've been dreaming of.

Meeting Your Evolving Needs At Home

Wherever you choose to live, keep in mind that your lifestyle is going to change. Your abilities may eventually change, too. That's why it's important to consider the three major design factors that determine whether your retirement home will meet your long-term needs: size, accessibility, and dependability.

Size: Too Much Of A Good Thing?

A survey by the U.S. Department of Housing and Urban Development (HUD) found that one of the most common problems for retired people is the size of their houses. They're just too big for them.

As time goes by, the amount of living space you need decreases. When children are grown and on their own, you simply don't need as much room as you did.

The cost of maintaining unused space can draw money away from more meaningful pursuits. If you want to stay in a house that has more space than you need, it's a good idea to look into ways to reduce costs.

In some drastic cases, people have demolished portions of their homes to reduce utility bills, maintenance, and even property tax levels. This is rarely a good decision. Demolition not only hurts the overall value of your home, it can be costly, time consuming, and messy. If there's an add-on portion of your house that's no longer useful or attractive (an inexpensive sunroom, for example), you may want to have that removed. Otherwise, it's probably best to limit your downsizing to interior alterations. Here are some simple downsizing steps that can have a positive impact on utility bills:

- Keep doors to unused portions of the house closed. Build doors where necessary.
- Close heating and air conditioning ducts to unused portions of your home.
- Install a smaller, more efficient heating, ventilating, and air conditioning (HVAC) system that's strictly for the portion of the house you intend to use.
- Create an additional zone for your HVAC system that serves the used portion of the home only.

Another option might be to remodel your home into two separate dwellings — one for you to live in and one to rent out. This can help maximize your property's potential by creating a source of income. Before going this route, check area zoning laws first to find out if renting is even allowed. Then think about what becoming a landlord may mean for you. Our guide to purchasing an investment property offers some valuable information for prospective landlords. You can download a free copy at http://www.wellsfargo.com/mortgage.

Accessibility: Is Your Home User-Friendly?

Depending on your personal situation, it may be important to consider design enhancements to meet physical challenges or a design that can be easily altered as necessary. Here are some things to consider regarding accessibility:

- Are there lots of steep stairs to climb to get into your house? Could a ramp be added without major costs or architectural challenges?
- Are doorknobs, faucets, and drawer pulls designed with easy-to-grip handles?
- Are all of the essential elements (bedroom, bath, kitchen, laundry) on a single floor? If not, how easy and affordable would it be to put them there?
- Are doorways too narrow to get through easily?
- Are closets large enough to turn around in? Are shelves and cabinets within comfortable reach?
- Would it be easy to install railings or other assistance devices in the tub or shower?

- Are stove controls easy to reach?
- Can you load and unload the washer and dryer from the front? Can you easily reach the controls?
- Are thermostats and light switches within easy reach?
- Are the floors level and in good condition, so they don't pose trip hazards?

Dependability: Is Your Home Too Demanding?

If you're getting ready to retire at home, it's a good idea to put a high level of emphasis on a low level of maintenance. Retirement is supposed to be about enjoyment. And chances are you'd enjoy playing golf or going for lunch with your friends a lot more than cleaning gutters or fixing leaky pipes. A little advance planning can save you a lot of time in years to come.

Here are some maintenance items to think about:

- Update the exterior of your home with low-maintenance materials like brick, stucco, aluminum siding, or vinyl siding.
- Upgrade or replace original systems such as furnaces, air conditioners, and water heaters. Today's more efficient systems can reduce utility bills. They also offer welcome safety features.
- Check the plumbing and electrical systems regularly, replacing parts and making repairs as needed to help avoid expensive service calls.
- Replace worn roofing materials with durable, modern materials to enjoy your home dry and worry-free throughout your retirement.

By addressing these major maintenance areas before they become major problems you can prevent dozens of expensive and stressful must-do repairs and updates in years to come.

What's Your Vision Of Retirement?

As you start exploring your options, you'll find that today's retirees have more types of living to choose from than ever before. And those choices are evolving all the time as more and more people challenge traditional perceptions of retirement.

Adult Communities Grow Up

Today's retirees are part of the Baby Boom generation — and they're used to making things happen. Healthier and wealthier than any retiring generation before, Boomers are rewriting the rules of retirement. One result — retirement developments look a lot different than they used to.

For instance, smaller and more intimate communities with a real neighborhood feel are becoming more common. In the 1960s, adult communities ranged between 3,000 and 24,000 units. By the 1980s that number had declined to about 4,500. Today's communities typically have 2,400 units or less. And there's more:

"Retired" People Doesn't Mean "Tired" People: As a 21st-century retiree, you can enjoy retirement freedom and a rich and full lifestyle. Today's adult communities offer access to theaters, restaurants, shopping, travel, and more. You may even be able to find a place that's close to your job, should you decide that giving up work altogether isn't for you.

Keep What You Want To Keep: Working out, staying in shape, and staying plugged-in via the Web are probably big parts of your life. Why should you give them up just when you're going to have more time than ever to enjoy them? Swimming pools, workout rooms, and high-speed computer access are becoming standard.

Change What You Want To Change: Retirees aren't ready to give up the finer things in life, but a lot of them are ready to forget about maintaining a large home. Most adult developments feature smaller, single-level homes with all exterior maintenance provided. The interiors tend to have open and flexible floor plans that allow for a variety of uses, with traditional dining and living rooms giving way to more informal layouts.

Using A Second Home For Retirement

Another popular option is making a second home part of your retirement plan. Steadily appreciating housing values have made real estate an attractive investment option for people who want to diversify their holdings. While there are no sure things when it comes to investing, real estate can deliver excellent long-term returns. Buying a second home can serve a dual purpose.
It's an investment that can help you grow your wealth now, and it can provide you with a great place to live in years to come.

Basically, there are two ways to approach a second home strategy:

1. **Investment Property —** A second home can generate rental income, while serving as a solid long-term investment that provides a retirement nest egg when sold. For more information, see our guide on buying an investment property.
2. **Second Home Now, Primary Home Later —** By purchasing at today's prices, you can allow the home to appreciate until you're ready to retire. That way you not only retire into a great home, you may even retire with prebuilt equity. You can also generate income or offset expenses by renting out the property during peak seasons until retirement arrives.

Achieve Your Retirement Vision With Financing That's Right For You

Renovation Plans: Cash Vs. Financing

If you have the financial means to pay for major renovations in cash, that's a great position to be in — as long as you can spare the cash. Before withdrawing those funds, ask yourself some questions:

- If I use this cash for renovations now, will I have enough reserves for unexpected expenses?
- Will my money be more accessible and earn a higher return if I leave it in my current investments?

People often find it makes sense to borrow the money for larger, more expensive repairs and remodeling. It enables you to get the work you need completed while keeping your investment portfolio intact. It also leaves liquid assets in place for expenses that can't be financed. Using your home's equity to finance repairs can also provide tax advantage. Check with a tax advisor for details.[1]

Home Equity Financing Options[2]

Home equity is a powerful financial resource. It can help you finance home improvements, pay college tuition, or meet other large expenses. Current equity in your home can even fund the purchase of an investment property or second home. Using your equity can be a smart way to manage your home like a working asset because the rates on home equity financing options are typically lower than on other forms of financing.

1. Consult your tax advisor regarding the deductibility of interest.
2. Home equity loans and lines of credit are available through Wells Fargo consumer Credit Group, a division of Wells Fargo Bank, N.A.

EQUAL HOUSING LENDER

Some home equity options to consider are:

- **Cash Out Refinancing** lets you take out a new mortgage for an amount greater than your current mortgage balance and take the difference in cash. That difference is deducted from your unused equity
- **Home Equity Loans And Lines Of Credit**[3] involve getting secondary financing in addition to your original mortgage, taken out against a portion of the available equity in your home. A home equity loan provides you with a single lump sum for one-time purchases, whereas a home equity line of credit establishes an account which you can draw from as needed for ongoing expenses up to an approved maximum amount. Both programs offer lower interest rates than typical consumer credit financing and potential tax advantages.[4]

A Wells Fargo Home Mortgage Consultant will be happy to tell you whether a home equity program is right for your homeownership goals.

Buying That Perfect Retirement Home

Today's Home Mortgage: A Blend Of Tradition And Innovation

A lot has changed in recent years to make home financing easier and more accessible. The basic types of mortgages are pretty much the same, but plenty of other things have changed quite a bit.

It's much easier to qualify for a loan these days and there are many, many options to choose from. Mortgage terms now range from a short 10 years to a comfortable 30 years — and you can select a term anywhere in between. There are even options designed to make down payments, closing costs, and your monthly payment system fit comfortably into your personal financial picture.

More Options Than Ever

There seem to be as many different types of home financing today as there are different types of homes. While there are also a lot of home financing companies, no lender offers more choices than Wells Fargo Home Mortgage, with our full range of financing programs to answer individual homebuyer needs. In fact, Wells Fargo Home Mortgage provides funding for one out of every fourteen[5] homes financed in the United States.

In addition to a wide selection of traditional mortgages, we offer an attractive menu of innovative programs:

- New construction financing.
- Specialized options for homes that require renovation.
- Programs designed specifically to benefit current Wells Fargo customers.

Your Wells Fargo Home Mortgage consultant can recommend the financing solution that's exactly right for you.

- **Fixed-Rate/Adjustable-Rate Loans**: One of the first decisions you'll need to make is whether you want a fixed-rate or an adjustable-rate loan. The advantage of getting a fixed-rate mortgage is you'll know exactly what your principal and interest payments will be throughout the life of your loan. But if you think interest rates are likely to go down in the long term or if you'd like to get a slightly lower rate for lower payments in the short term, an adjustable-rate mortgage may be for you. As its name implies, an adjustable-rate mortgage adjusts periodically with the going

3. Home equity loans and lines of credit are available through Wells Fargo Consumer Credit Group, a division of Wells Fargo Bank, N.A.
4. Consult your tax advisor regarding the deductibility of interest.
5. Based on 2005 year-end statistics by *Inside Mortgage Finance* 2/17/06.

rate of interest. It may be a good choice if you're looking to purchase a second home right now with plans to use it for retirement later. That way, if rates go down along the way, you'll be able to take advantage of them. If you're already settled into your retirement home, locking into a good fixed rate may be your best option so you'll be able to budget your monthly mortgage payments well into the future.

- **Jumbo Loans**: Jumbo loans allow homebuyers to borrow larger amounts of money for more expensive homes. Jumbo loan amounts exceed the maximum conventional loan amount guaranteed by the federal government. The conventional loan amount is $417,000 ($625,500 in Alaska and Hawaii). Wells Fargo Home Mortgage offers a wide variety of jumbo mortgages at very attractive fixed and adjustable rates. We also have options that can help you avoid paying the higher jumbo rate by blending a first and second mortgage that add up to a jumbo loan amount.
- **Interest-Only Loans**: This type of financing can give homeownership more purchase power for the short term by allowing you to make smaller, interest-only monthly payments for the first several years of your loan term. It can be a practical option for buying a second home, because you can keep the payments low while you're getting the rest of your financial plans for retirement in order. However, you may not build equity unless principal payments are made during the interest-only period.
- **Renovation Loans**: This is a great choice if you're looking to do some major renovations whether you are looking to convert your current home into a retirement home or to purchase a new home and update it. With a renovation loan, you can borrow based on the value the home will have once your renovations are complete. That means you can qualify for a larger loan amount than you could get to buy the unimproved property. It's an excellent option if you want to hold on to your cash reserves rather than use them for home improvements.
- **Low Or No Down Payment Loans**: This option allows you to finance all or part of your down payment ("roll it into the loan"). So, if your money is currently involved in some high-yield investments, you can leave it there. Any cash reserves remain untouched too, for unexpected expenses. A low down payment loan may be just what you need to purchase a second home before you retire.

Which Option Is Best for You?

To get a better idea of the option that's best for you, speak to your local Wells Fargo Home Mortgage consultant today. You can also use our exclusive **Home Loan Workbench®** tool to run some numbers online at http://www.wellsfargo.com/mortgage. This tool can help take the guesswork out of shopping for a mortgage with personalized loan recommendations, current rate quotes, and detailed closing cost estimates.

Get An Edge — Get *Priority*Buyer® Preapproved

A written preapproval from Wells Fargo Home Mortgage makes you a **Priority Buyer®** in the eyes of real estate agents and sellers. That means you can expect preferential treatment and attention because they know you already have your financing in order. Preapproval has other benefits, as well:

- You know exactly how much you can afford to spend on your new home.
- You won't waste time and energy looking at properties that are out of your price range.
- There's no waiting to see if you qualify to purchase the home you want.

Even if your asset level virtually guarantees your ability to get a loan, preapproval offers a privacy advantage you may want to have. Since the lender has certified that you have sufficient funds to be approved for a loan, you don't have to reveal anything else about your financial situation.

Some Possible Loan Approval Challenges

Overcome Obstacles With Wells Fargo Home Mortgage

If you have a good job and a history of consistently paying your bills on time, chances are good that you won't have any problem qualifying for a loan program. But, what if:

- You've had a few bumps in your credit history?
- You earn a good living, but you're self-employed?
- You're moving to the United States from another country?

Poor credit, no credit, and income-documentation issues don't mean you have to give up on your retirement dreams. Wells Fargo Home Mortgage can help you with financing programs that have flexible qualifying guidelines.

Documenting Income

One of the key parts of applying for your loan will be providing your income sources. As a retired individual, this may be a challenge for you, but it's not a challenge that can't be met. There are a variety of sources your income can come from, including:

- Pension Benefits.
- 401(k).
- IRAs.
- Savings.
- Social Security Benefits.
- Alimony.
- Rental Income.

If you'd like to find out more about what sources of income will help you qualify and what will be needed to document that income, contact your local Wells Fargo Home Mortgage consultant today.

Addressing Past Credit Problems

Credit problems can happen for any number of reasons — divorce, medical bills, and unexpected expenses, just to name a few. At Wells Fargo Home Mortgage, we understand that life happens, and you're not in control of every financial obligation that comes your way. We can work with you and help you look forward — beyond your credit history to a secure future — with home financing programs that offer flexible guidelines. Even if you've had a foreclosure or bankruptcy in the past, you can move on and enjoy the retirement lifestyle you deserve. For more information on credit renewal options, see our guide on overcoming credit obstacles.

Is It Smarter To Just Pay Cash?

A lot of people really look forward to making their last mortgage payment. For them, it's as much of a milestone as buying a house in the first place.

There's no denying the sense of accomplishment that comes with having paid a mortgage in full. But while it may sound like the ultimate in financial freedom, paying off an entire mortgage may not be the wisest decision for everyone.

The federal government allows qualified retired married couples a one-time exemption from capital gains taxes — up to $500,000 when selling a primary residence[6] — that means many people may be able to buy a retirement home outright. But as appealing as it may sound to own your house free and clear, there are some possible drawbacks.

- If you tie up all or a large portion of your money in your house, will you have enough cash available to cover unexpected financial needs?
- Will paying off your mortgage limit your ability to enjoy the retirement of your dreams?
- Could the money be put to better use generating additional income through another investment?

If you commit too much of your cash reserves, unexpected expenses can become very stressful. Before you go the total payoff route, think about these questions:

- Have I paid off all my other debt?
- Am I making the maximum contribution to my tax-deferred retirement plans?
- Do I own a stable, diversified portfolio of investments?
- Do I have plenty of cash on hand to cover emergencies like long-term unemployment, major unexpected medical bills, or major home repair bills?

The payoff decision is a tough one. So talk to a professional financial planner and your tax advisor first.

6. Consult your tax advisor for details.

Your Current Home: When To Sell It

The decision to sell a long-time home is packed with emotion. The ties you have to a place can cause you to put off selling a house until you absolutely have to — even if the house no longer meets your needs. A good way to see past emotional ties is to take a step back and look at your neighborhood and home while asking yourself some very practical questions.

How's The Neighborhood? If the property in your area is depreciating or appears about to be, it's probably time to sell. You can keep an eye on home sales with our Home Sales Report tool, available on our Web site at http://www.wellsfargo.com/mortgage.

Am I Willing And Able To Keep Up Maintenance? If you don't have the time, ability, or budget to keep up the maintenance on your home or if there are major repairs needed, you may want to consider selling. Regular upkeep is a must. Avoiding or putting off needed improvements can negatively impact the selling price, when the time comes.

Choosing A Real Estate Agent

If you want to sell a home as quickly and efficiently as possible, it's a smart idea to start with a good real estate agent. Choose an aggressive listing agent who'll work at marketing your home, not just wait for a sale to happen.

Start by asking your home mortgage consultant, friends, family, and co-workers to recommend agents they've worked with. Next, start paying attention to the "For Sale" signs on homes in your area. Look to see if a certain agency or real estate agent's name appears frequently. This is a good way to gauge who knows your area well. As you get your list of prospects together, interview each real estate agent to get a sense of how well the two of you will work together.

Should You Consider A Reverse Mortgage For Income?

Imagine a mortgage that actually pays you money. That's the concept of a reverse mortgage. If you're age 62 or older, own your home free and clear, or have a minimal outstanding mortgage balance, it can be a useful option for putting your home's equity to work. Reverse mortgages allow homeowners to receive cash for their unused equity, either as a:

- Small monthly payment to supplement your income.
- Lump sum for large, unexpected expenses.
- Line of credit that may be accessed when and if needed.

The best thing about reverse mortgages is this: you get to continue to live in your home, and you don't have to pay back the loan as long as you use your home as your primary residence and the program requirements are met. In general, the more your home is worth, the older you are, and the lower the interest rate, the more you'll be able to borrow. For more information ask for our free Reverse Mortgages guide from your local home mortgage consultant today.

Getting Ready For A Fixed Income

The Right Financing Can Provide Security

Wells Fargo Home Mortgage believes that *Home is at the heart of financial well-being.*SM Your home is an asset that can work for you throughout your life — including well into your retirement.

A lot of people see a mortgage as something they either need to escape or avoid at all costs when, in reality, a well-planned mortgage can greatly enhance your ability to enjoy retirement to its fullest. The right financing can provide cash on hand for unexpected expenses such as car repairs, home repairs, and medical bills. A mortgage can also provide welcome tax relief at a time of life when the number of deductions available to you may be greatly reduced.

Wells Fargo Home Mortgage has developed a range of refinancing programs designed to help you meet your changing needs. Some of the ways that refinancing can help you make the most of homeownership are outlined below.

Lower Your Monthly Payments

Has it been a while since you purchased your current home? If you haven't refinanced recently, the chances are good that you could lower your monthly payments by refinancing your home at a lower interest rate. Speaking with a Wells Fargo Home Mortgage consultant can help you weigh the cost of refinancing against the benefits of the reduced monthly payments at the lower interest rate. Your home mortgage consultant can also show you ways to finance your closing costs, so you have funds left over for other things. And as always, it's also a good idea to consult your financial advisor.

Pay Off Your Loan Faster

If after speaking with your financial advisor you decide that paying off your home and living mortgage-free is the right choice, you may want to look at making that payoff happen as soon as possible. There are two good options to consider:

- **Refinance To A Shorter Loan Term:** If interest rates are low, you may benefit from refinancing and reducing the period of time in which you'll pay back the loan. For example, if you have 25 years left to go on a 30-year loan, cutting the term of your loan down to 15 years can significantly reduce the amount of total interest you'll pay and get you to that mortgage-free point more quickly.
- **Make Extra Payments On Your Current Loan:** Making just one extra payment a year cuts the principal amount you owe on your loan and reduces the amount of interest you'll pay over the life of the loan. It's a great money-saving strategy. If you're concerned that you're not disciplined enough to make those extra payments happen on your own, Wells Fargo Home Mortgage has a great automated program that will do it for you. We can set you up on a payment plan that divides one large monthly payment into half-payments debited from your account once every two weeks. As a result, you'll be making one extra payment a year — painlessly — and paying down your mortgage years sooner. Of course, you can also do this all on your own.

Take Advantage Of Your Growing Wealth With The Help Of Wells Fargo Products

Once you retire, your focus shifts from generating income to managing the assets you have. But since retirement is supposed to be a time to relax, you want to be sure you have a plan that makes it easy to manage your investments. Again, Wells Fargo Home Mortgage can help.

Personalized Service

Retirement raises questions that few people are prepared to answer. At Wells Fargo Home Mortgage we understand how important those decisions are — and we want to help. There's no such thing as one answer that fits all, and that's why our home mortgage consultants will sit down with you and help you build a financial strategy that's customized to your individual retirement goals.

Planning For A Secure Retirement

As you look forward to retirement and plan your financial future, we're ready to help you build your home-based security and wealth, with state of the art money management services. Wells Fargo Bank, ranked third in the nation for market value, is the USA's most extensive banking franchise, providing financial services to over 23 million people. With over 6,100 banking stores and the nation's top Internet banking site, we are ready to fuel your growing wealth with innovative programs that make the most of your time and resources:

Wells Fargo Portfolio Management Account ®

To make good financial decisions, you need financial information that's easily accessible and simple to understand. Our top-of-the-line relationship account — the **Wells Fargo Portfolio Management Account Package®** (**PMA®**)[7] — saves our most valued customers time and money with unmatched benefits.

- No monthly fees on PMA-linked checking and savings accounts.
- Bonus interest rates on select PMA-linked savings and time accounts.
- No annual fee on a Wells Fargo credit card with **Wells Fargo Rewards®** program.
- Free online statements.
- Discounts on safe-deposit boxes (where available).
- And more!

Our **PMA** account also features a combined monthly statement that will simplify financial management by putting all of your vital account information in one place.

Easy Account Management

The following convenient special services are designed to make your investment life easier — and they're free!

- **Online Account Access** from Wells Fargo Home Mortgage allows you to get personalized information about your loan, including details on your balance, interest rate, escrow, tax and interest data, and more.
- **Automatic Mortgage Payment**℠ service enables you to focus on enjoying your home, knowing your mortgage payment is automatically deducted from your checking or savings account each month.

7. **Wells Fargo Portfolio Management Account®** is offered through Wells Fargo Bank, N.A. Member FDIC.

Wells Fargo Online® offers you the convenience and control to manage your finances anytime, anywhere you have Internet access. With free access to Online Banking, you can:

- Manage checking, savings, investments, and loans or lines of credit (including mortgage and home equity).
- Check balances and review account activity.
- Transfer funds between accounts.
- Receive your monthly statements online.
- Reorder checks.

Online Bill Pay
This service allows you to pay any individual or company in the U.S. And it's free for the first two months.[8]

- Schedule one-time or recurring payments.
- Receive your bills online (eBills) from select companies.
- Schedule e-mail alerts to notify you when eBills are received, when they're due, or when any payments have been sent.
- Organize bills by payment category, and track spending.

At Your Service

Whether you visit us in a mortgage office or a Wells Fargo Bank branch, our home mortgage consultants are available in more than 2,400 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. Contact your Wells Fargo Home Mortgage consultant today.

8. Bill Pay is free for the first two months for new customers. It remains free in any month that the combined balances in your qualifying personal accounts are at least $5,000 at all times. Otherwise, Bill Pay is $6.95 per month, which includes up to 25 payments per month; each additional payment costs $0.40. Separate pricing applies to business customers. For a list of qualified accounts, please refer to http://www.wellsfargo.com/bp_waiver.

Glossary[9]

***Adjustable-Rate Mortgage (ARM)* –** A mortgage in which the interest rate is adjusted periodically according to a preselected index.

***Alternative Lending* –** A home financing program that accommodates borrowers with special qualifying factors, including poor credit histories and hard-to-document income.

***Annual Percentage Rate (APR)* –** A yearly percentage rate that expresses the total finance charge on a loan over its entire term. The APR includes the interest rate, fees, points, and mortgage insurance, and is therefore a more complete measure of a loan's cost than the interest rate alone. The loan's interest rate, not its APR, is used to calculate the monthly principal and interest payment.

***Appraisal* –** A report made by a qualified person setting forth an opinion or estimate of property value. The term also refers to the process by which this estimate is obtained.

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

***Bridge Loan* –** A form of second deed of trust or mortgage that is collateralized by the borrower's present home (which is usually for sale) in a manner that allows the proceeds to be used for closing on a new house before the present home is sold.

***Capital Gains* –** Used for tax purposes, this is the capital gain you make when you sell your home. For example, if you purchase a property for $100,000 and sell it some years later for $150,000, your capital gain is $50,000.

***Closing* –** The consummation of a real estate transaction. The closing includes the delivery of a deed, financial adjustments, the signing of notes, and the disbursement of funds necessary to complete the sale and loan transaction.

***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 origination fee, discount points, appraisal, credit report, title insurance, attorney's fees, survey, and prepaid items such as tax and insurance escrow payments.

***Collateral* –** A binding pledge as security for a debt, such as the real estate pledged as security for a mortgage.

***Commitment Letter* –** A formal offer by a lender stating the terms under which it agrees to loan money to a homebuyer.

***Conventional Loan* –** A mortgage not obtained under a government insured program (such as FHA or VA).

***Credit Report* –** A report detailing an individual's credit history.

***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* –** Money paid to make up the difference between the purchase price and the mortgage amount.

***Equity* –** The ownership interest; i.e. portion of a property's value over and above the liens against it.

***Escrow* –** An item of value, money or documents, deposited with a third party, to be delivered upon the fulfillment of a condition. For example, the deposit by a borrower with the lender of funds to pay taxes and insurance premiums when they become due, or the deposit of funds or documents

9. The terms used in this glossary refer to your primary mortgage loan and may not apply to home equity financing options.

with an attorney or escrow agent to be disbursed upon the closing of a sale of real estate. In some parts of the country, escrows of taxes and insurance premiums are called impounds or reserves.

Fixed-Rate Mortgage – A mortgage in which the interest rate and payments remain the same for the life of the loan.

FICO Score – A numerical rating developed and maintained by Fair Isaac 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 note rate pricing to fluctuate until the applicant decides to lock in, usually no later than five days prior to closing.

Foreclosure – A legal procedure in which property mortgaged as security for a loan is sold to pay the defaulting borrower's debt.

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.

Good Faith Estimate – A document which tells borrowers the approximate costs they will pay at or before settlement, based on common practice in the locality. Under requirements of the Real Estate Settlement Procedures Act (RESPA), the mortgage banker or mortgage broker, if any, must deliver or mail the GFE to the applicant.

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.

Homeowners 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.

HVAC – Heating, ventilation and air conditioning systems, including furnace, heat pumps, ductwork and associated wiring.

Index – A published interest rate, such as the prime rate, LIBOR, T-Bill rate, or the 11th District COFI. Lenders use indexes to establish interest rates charged on mortgages or to compare investment returns. On ARMs, a predetermined margin is added to the index to compute the interest rate adjustment.

Interest Rate – The percentage of an amount of money which is paid for its use for a specified time.

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

Investment Property – Real estate owned with the intent of supplementing income and not intended for owner occupancy.

Lien – A legal claim or attachment against property as security for payment of an obligation.

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 between the amount of a given mortgage loan and the lower of sales price or appraised value.

Margin – The set percentage the lender adds to the index rate to determine the interest rate of an ARM.

Mortgage – The conveyance of an interest in real property given as security for the payment of a loan.

Mortgagee – The lender on a mortgage transaction.

Mortgage Insurance (MI) – See Private Mortgage Insurance or PMI.

Mortgagor – The borrower in a mortgage transaction who pledges property as security for a debt.

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.

Non-conforming Loan – Conventional home mortgages not eligible for sale and delivery to either FNMA or FHLMC because of various reasons, including loan amount, loan characteristics or underwriting guidelines.

Note – A general term for any kind of paper or document signed by a borrower that is an acknowledgment of the debt, and is, by inference, a promise to pay. When the note is secured by a mortgage, it is called a mortgage note and the mortgagee (lender) is named as the payee.

Origination Fee – The amount charged for services performed by the company handling the initial application and processing of the loan.

Points – A one-time charge by the lender to increase the yield of the loan; a point is 1% of the amount of the mortgage.

Preapproval – 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.

Prepaids – Closing costs related to the mortgage loan which are collected at loan closing – including per diem prepaid interest and initial deposits of monthly escrows of taxes and insurance.

Principal – The amount borrowed or remaining unpaid; also, that part of the monthly payment that reduces the outstanding balance of a mortgage.

Priority**Buyer®** – A Wells Fargo Home Mortgage customer who has been preapproved for their mortgage loan amount.

Private Mortgage Insurance (PMI) – Insurance written by a private company protecting the mortgage lender against loss resulting from a mortgage default.

Processing – The preparation of a mortgage loan application and supporting documentation for consideration by a lender or insurer.

Purchase Contract (Agreement/Offer) – An agreement between a buyer and seller of real property, setting forth the price and terms of the sale. Also known as a sales contract.

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 rates, points, and term of the loan while it is processed.

Reverse Mortgage – A home equity financing program that allows homeowners age 62 or older, who own and live in their home free and clear, or have a minimal remaining mortgage balance, to borrow against unused equity without repaying the loan for as long as they reside in the property.

Survey – The measurement and description of land by a registered surveyor.

Title Insurance – An insurance policy that protects a lender and/or homebuyer (only if homebuyer purchases a separate policy, called owner's coverage) against any loss resulting from a title error or dispute.

Truth-In-Lending Statement – A federal law requiring full disclosure of credit terms using a standard format. This is intended to facilitate comparisons between the lending terms and financial institutions.

Underwriting – Analysis of risk, determination of loan eligibility, and setting of an appropriate rate and terms for a mortgage on a given property for given borrowers.

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

For More Information On Wells Fargo Home Mortgage

Contact your local Wells Fargo Home Mortgage Consultant
Call us at 1-877-937-9357

Visit us online at www.wellsfargo.com/mortgage

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