Your Guide to Home Financing Made Easy

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REFERRAL PARTNER LIST

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HOW TO CHOOSE A LENDER?

Obtaining a mortgage in today's market for a future purchase or refinance can be a complex ordeal. A top financing professional can be critical in getting your offer excepted, or locking the lowest rates and fees with the most favorable terms. Below are some questions you will want to ask, to make the best choice in choosing your residential or commercial lender or mortgage originator.

How will you help me determine my long and short term financial goals in relationship to buying or refinancing a property? Furthermore, which programs are best for me?
We will analyze your current financial picture, ask the right questions on what you are trying to accomplish now and in the future and then help you by setting up a plan accordingly. Questions we often ask are:

1) How long will you live in the area?
2) How long will you keep the property?
3) Are you planning on doing any remodeling or adding on to the property in the future?
4) When do you plan on retiring?
5) Are you after cash flow or paying off the loan as quickly as possible?
6) Plus many more…

Once we have your answers, we will advise on what loan program is best for you and what loan structure will meet your long and short term financial goals. This is done at the pre-approval appointment and reviewed again once in contract or when we lock your loan.

How will you help me understand the tax benefits of home financing for the future purchase of a home?
We will determine your approximate tax write offs, net tax benefit, and net effective payment based on your tax bracket. Then we will compare your current mortgage payment to rent and you the benefit on a monthly basis in real dollars.

What is your process in assisting me so I can get my offers accepted?
We do several things that include providing a preapproval in ms-word, so then at moment's notice the Realtor can modify the price of the preapproval to match any offer if purchasing below or at the original preapproved amount. We also call the listing agent on each offer to convey the buyers compensating factors and to differentiate the offer from everyone else's. Lastly, we will help coordinate short closings and "as is" offers with no contingencies.

What methodologies will you use to lock at the "right time" and what happens if rates drop?
At 101 Loan, we use many online interactive subscription programs to track rates based on bond market activity, economic report activity and market trends. This provides our clients with the power to lock at the "right" time vs the wrong time when rates are worse. In addition, if interest rates drop, we have strong relationships to renegotiate the rate with the lender at a lower rate or pull the loan from the lender and go with another lender that is offering a more favorable rate. Having access to over 45 lenders provides a value proposition that other lenders and mortgage originators just can't provide.

How long have you worked with the Realtor that referred me and what is your track record for closing on time per the contract?
We have worked with many agents throughout the bay area since 1990 and have closed over 3000 loans with a 99.99% success rate.

How long have you been in the business and what percentage of your business are purchases vs. refinances?
101 Loan has been providing mortgage financing services since 1990 closing an average of 75% purchase business with the remainder of refinance business from past, referred and online originated clients.

Can you provide me testimonials from clients that have used your services in recent past?
You bet…check out yelp at http://www.yelp.com/biz/101-loan-campbell-2 where we have **over** 100, "5 Star" Reviews.

Do you provide personalized service?
Rob McCarthy and his team bring over 25 years of experience to the mortgage financing transaction, offering client's unsurpassed exemplary service, competitive rates and "out of the box" thinking. His dedication and hard work yield customized mortgage solutions quickly and efficiently. Rob's mortgage planning services start with a detailed pre-qualification to determine your current needs and long term goals and loan options that apply to your situation, whether purchasing or refinancing.

How competitive are your rates?
As a mortgage originator, we have over 45 different relationships with direct lenders, portfolio lenders and mortgage banks; ensuring our clients have access to the best loan programs and lowest rates. As a result, you will receive the most competitive interest rates and access to every loan program available.

How fast can you process and close my loan?
Very quickly. Most loan officers work by themselves to close their loans. Some may even have an assistant but regardless usually take a long time to provide their clients with a preapproval, let alone even close on time per the ratified purchase contract.

At 101 Loan, we have 4 professionals that play an integral part of quickly expediting requests and closing our client's loan. Our preapprovals take 1 to 2 business days, and our closing can take between 2 and 4 weeks dependent on the loan program or the bank, the customer chooses.

Our team includes the following:

- **Rob McCarthy** - Owner and Senior Mortgage Planner who architects every purchase file.
- **Nick Stephens** - Loan Coordinator who prepares every loan file for review.
- **Renee Steph** - Senior Loan Coordinator, who reviews all files and provides the preapproval and closing estimate before any offer.
- **Danielle Greco** - Senior Loan Processor, who submits and manages each application once in contract to closing.

With decades of experience, our staff can quickly and efficiently process your loan ensuring a smooth and efficient closing. In general, we can close your loan quicker than our competition while still providing you with the best rates on the market.

Are you established?
101 Loan LLC and its agents have been providing mortgage financing solutions to consumers and the Real Estate community for over 2 decades. Rob McCarthy has been providing the same services since 1990, and he is considered one of the top mortgage planner's in the bay area for loan volume closed. This is from his strong relationships with realtors, past clients and lenders.

What separates us from the competition?

- Over 25 Years of Experience in Residential and Commercial Financing with Access to over 45 Lenders resulting in the Lowest Rates, Lowest Fees and Timely Service.
- Over 100 "5 Star Reviews" in Yelp, Facebook, Google and Linkedin.
- Expert in Reverse Mortgages and Jumbo Reverse Mortgages
- Access to Land, Construction and Commercial Financing.
- Access to All First Time Buyer Programs including FHA, VA and City Programs.

Contact us with any questions

THE PRE-QUALIFICATION VS. THE PRE-APPROVAL…

The Pre-Qualification…Your FIRST Step to Financing a Home

Because of the complexities of home financing and the numerous loan programs available to the general public, prequalifying must be done by a qualified loan agent (preferably a mortgage originator) in person, via e-mail or over the phone. The prequalification process is both objective and subjective. Lenders look at much more than just how much cash someone has or have much do they make. They look at the "overall picture", for what lenders call compensating factors, of the applicant. These compensating factors include income, debt, assets, and credit. Consulting with a qualified loan agent, can help you determine which compensating factors should be emphasized to the lender.

Income Employment and Bonus Income Commissions Income Self Employment Investment Interest Income	**Debt** Credit Card Debt Auto Loan Debt Student Loan Debt Personal Lines of Credit
Assets Savings and Checking Stocks, Mutuals, Bonds 401k, Pension and Stock Options IRA's, Profit Sharing	**Credit** New Accounts Closed Accounts Derogatory Accounts Inquiries and Liens

The Pre-Approval…Solidifies Your Home Buying Position

Once an applicant is prequalified, the next step is the preapproval. This involves the lender verifying one's income, debt, credit, and assets. This is done by sending the lender 30 days of pay-stubs,

- W-2's and 1040's for the last two years
- Bank statements on all assets for the last two months
- Verification of credit by credit report
- A copy of your driver's license

Once the preapproval is done, the buyer strengthens their buying position. Now, buyers have a "walking credit card" to purchase a new home! Buyers should never start their home search without being preapproved. The preapproval is usually valid for 90 days (sometimes longer) as long as the applicant's income, debt, assets, and credit have not worsened or rates have gone up or loan programs have been eliminated.

Rob McCarthy
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101 Loan – Home Financing Made Easy

June 20, 2016

Ref: Prequalification for John and Jane Doe **(Prequalification Sample)**

To whom it may concern,

Based on the information provided to me, the above referenced client qualifies for the following:

Max Purchase Price	Down Payment	Loan Program	PITI Payment	Type of Property
$875,000	20%	Fixed or Hybrid	$4129/month	Home

Notes: The PITI payment above is based on principle, interest, taxes and insurance based on a monthly basis. Usually you only pay principle and interest on a monthly basis.

Tax Benefits

As you may know, once you purchase a home, you are entitled to the tax benefits associated with home ownership. Below you will find the purchase prices as stated above, that provide the approximate tax write off, net tax benefit, and net effective PITI payment associated with owning versus renting.

Purchase Price	Tax Write Off	Net Tax Benefit	Net Effective PITI Payment
$875,000	$2952/month	$1033/month	$3096/month

Notes: The above info can vary based on the actual rate, payment and household income of the borrower(s). For a more complete analysis of this benefit, please contact your CPA, tax planner or accountant.

Congratulations, you are **now** pre-qualified. The next step is the pre-approval process. To start this process, we will need to meet in person, and I will need you to bring the following with you:

- Copies of paystubs for the last 30 days.
- Copies of w-2 and 1040's for the last 2 years.
- Copies of bank statements for the last 2 months, for checking, savings, stock and 401k.
- Copy of driver's license or passport.

Once you have put this list of items together, please contact me to schedule an appointment. Thank you for your time and interest.

Sincerely,

Rob McCarthy

Senior Mortgage Planner

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June 20, 2016

(Preapproval Sample)

John and Jane Doe
125 Oak Street
Sunnyvale, CA 94086

Ref: **Pre-Approval for Home Financing**

Dear John and Jane,

This letter is to inform you have been pre-approved for the purchase price of $875,000.00 based on 20% down. Your credit, income, debt and assets have been reviewed and are satisfactory to the lender.

This pre-approval is subject to the following conditions:

- Review of preliminary title report from lender.
- Review of appraisal of property per agreed contract price by lender
- Review of purchase contract by lender

Should you have any questions, please feel free to call me. Thank you for your time.

Sincerely,

Rob McCarthy
Senior Mortgage Planner

The Purchase Process

If purchasing in this market, whether it's a "buyers" market or a "sellers" market, one must be prepared. The following will detail what we provide our clients when purchasing. We at 101 Loan have found that this process provides the following:

- Saves money and time.
- Allows one to make objective decisions.
- Most important, eliminates the stress common in purchasing property.

Step 1

Determine Your Goals and Loan Preapproval

Meet with the 101 Loan to determine the following:

1) Your long and short term financial goals.
2) Establish a comfortable purchase price.
3) Determine which loan options best fit your needs.
4) Review your tax benefits and "total" closing costs in buying.
5) Complete your Loan Application or Questionnaire
6) Provide us your supporting documents and we will provide you our loan preapproval.

Step 2

Choose Property and Make Offer with Realtor

Contact your Realtor or Sales Agent to:

1) Program property search based on your wants, needs, neighborhood and price.
2) Preview properties with Realtor eliminating the ones that don't fit your needs.
3) Choose property and determine what price and terms to offer with Realtor.
4) Make offer using preapproval and coordinate with us in terms of timing, removal of contingencies and your close of escrow date.

Step 3

The Closing Process

Coordinating the Closing:

1) Once in contract, we will assist you in reviewing your loan options and lock in your loan. We will also order your appraisal with the idea of eventually removing your loan contingency.
2) Once you have done this and removed your property contingency you are agreeing to move forward with your purchase.
3) At your signoff, your agent and us will have already reviewed everything prior to you signing to ensure everything is correct.
4) One day before you are to close, we will fund the loan and the next day escrow will close escrow and the keys are yours!

First Time Home Buyer Programs...

The two most popular loan program for 1st Time Buyers is FHA and VA Financing. For a list of Pro's and Con's for them, please see below.

Pros:

- Low down payment, FHA 3.5% down. VA 0% down.
- Little to no reserves required.
- Able to obtain credit from lender to cover all of the closing costs while keep the rates lower than that of conventional financing.
- Allows less than perfect credit. Some lenders will allow down to a FICO score of 600.
- No MI on VA Financing

Cons:

- FHA and VA Funding Fee
- MI on FHA Financing required
- Impounds are required
- Some realtors find these programs are less competitive than conventional financing

Summary of Conventional and Jumbo loan Options...

Fixed Rates
30 year, 20 year, 15 year, and 10 year for the clients that will keep the property forever.

Hybrids
3 year, 5 year, 7 year, 10 year fixed loan products that convert to a 1 year adjustable after the fixed term. Pro's – Lower rate and payment than a 30 year or 15 year fixed loan and can match how long the borrower may keep the property.

Adjustable Rates (As of 8/2015, most lenders don't offer these)
1 Month, 3 Month, 6 Month and 1 Year Arm's
Details – Short term financing solution and great cash flow but uncertainty in future.

Loan Options in More Detail...

30 Year Fixed
This mortgage is fixed for the entire 30 year term of the loan. This is the most conservative mortgage available providing absolute rate stability, but most likely a substantially higher rate than ARM's or hybrids; such as the five year or three year mortgages.

15 Year Fixed
This jumbo mortgage is fixed for the entire 15 year term of the loan. This is the most conservative mortgage available providing absolute rate stability, but most likely a substantially higher rate than ARM's or hybrids such as the five year or three year mortgages. This loan provides a substantially higher payment than the 30 year fixed but pays off in half the time. Significantly less interest will be paid over time; However, securing a 30 year fixed and investing the payment differential elsewhere where (e.g. Stock or Ira) it might be a wiser investment decision (see your financial adviser).

10 Year ARM Hybrid
This mortgage is fixed at the initial rate for ten years. After the 120th month the loan will adjust each adjustment period to the lower of: 1) the current index plus the margin, 2) the previous rate plus the periodic cap, or 3) the life time cap. Depending on the recommended product for the day, this mortgage may have a first time adjustment higher than the periodic cap. This is a fully amortizing loan with a term of 30 years. The loan does not have a prepayment penalty and does not have negative amortization.

7 Year ARM Hybrid
This mortgage is fixed at the initial rate for seven years. After the 84th month the loan will adjust each adjustment period to the lower of: 1) the current index plus the margin, 2) the previous rate plus the periodic cap, or 3) the life time cap. Depending on the recommended product for the day, this mortgage may have a first time adjustment higher than the periodic cap. This is a fully amortizing loan with a term of 30 years.

5 Year ARM Hybrid
This mortgage is fixed at the initial rate for five years. After the 60th month the loan will adjust each adjustment period to the lower of: 1) the current index plus the margin, 2) the previous rate plus the periodic cap, or 3) the life time cap. Depending on the recommended product for the day, this mortgage may have a first time adjustment higher than the periodic cap. This is a fully amortizing loan with a term of 30 years.

3 Year ARM Hybrid
This mortgage is fixed at the initial rate for three years. After the 36th month the loan will adjust each adjustment period to the lower of: 1) the current index plus the margin, 2) the previous rate plus the periodic cap, or 3) the life time cap. Depending on the recommended product for the day, this mortgage may have a first time adjustment higher than the periodic cap. This is a fully amortizing loan with a term of 30 years. The loan usually does not have a prepayment penalty and does not have negative amortization.

1 Year ARM (Includes 1 Year Treasury Bill or Libor
This mortgage is set at the start rate for one year. Thereafter, it will adjust each 12 months over a 30 year term to the lower of: 1) the current index plus the margin, 2) the previous rate plus the periodic cap, or 3) the life time cap. This mortgage is a pure adjustable rate mortgage providing the lowest start rate but the greatest interest rate risk. Generally, these mortgages should be secured with as little points as possible. This loan usually does not have a prepayment penalty and usually does not have negative amortization.

Cash Flow Saver, Cost of Funds Index and Monthly Treasury Index ARM's (No Longer Offered)
Called the "dinosaur" of the adjustable market, the COFI is the slowest moving adjustable index offered. The MTA is also a slow moving index and used by some lenders instead of the COFI. Typically used for purchases or clients trying to keep their mortgage payments as low as possible, these programs will provide the most stable adjustable payments over any other adjustable loan index while providing monthly payment options. Payment options include:

- Principal and Interest payments over 30 Years
- Principal and Interest payments over 15 Years
- Interest Only Payments
- Minimum or Deferred Interest Payment (Calculated by Lender and can change annually by 7.5% of payment worse case)

How Can One Eliminate Mortgage Insurance when putting less than 20% down?

There are several options available to eliminate mortgage insurance when putting less than 20% down. They include the, following:

1) LPMI Option at 5% and 10% down when mortgage insurance is built into the rate.

2) 80/10/10 Option at 10% down where the lender provides and 1st and 2nd Mortgage to Eliminate Mortgage Insurance but also usually increases ones purchase power.

3) VA Financing at 0 Down. If the borrower was honorable or medically discharged from the US Military, they usually have access to VA financing which allows them to purchase at 0 down with no mortgage insurance.

Contact us for more info or for what loan option may be best for you

LOAN CHARACTERISTICS…

Fixed Rate Loans

A fixed rate loan has an interest rate that stays the same during the term of the loan. This means that your loan payments are set from the initial amortization, or repayment, schedule. The clear benefit of a fixed rate loan is that is offers stability in fluctuating market conditions.

Hybrid Loans

Commonly known as 3/1's, 5/1's, 7/1's and 10/1's or 3 year fixed, 5 year fixed loans, etc.; these loans are impart a fixed loan coupled with an adjustable loan that usually provide a lower rate and payment of interest over that of the fixed rate loan. See previous pages for examples.

Adjustable Rate Mortgages

Adjustable rate mortgages (Arm's) are home loans with interest rates that change periodically. They may have lower initial rates for a short time at the beginning of the term. After that, the interest rate used to calculate repayment is adjusted on a regular basis.

Since the monthly payments may go up or down with changes in interest rates, the future monthly loan payments may be uncertain. Arm's carry risks in periods of rising interest rates, but can be less costly over the life of the loan if the average interest rate is below the fixed rate.

Some important components of Arm's include:

- The Index
- The Margin
- Periodic and Lifetime Caps
- Rate and Payment Adjustments
- Deferred Interest (negative amortization)

How Do Arm's Work?

Lenders usually charge lower initial interest rates for ARMs than for fixed rate loans because the borrower is sharing the risk if interest rates go up. Arms therefore are less expensive in the beginning than fixed rate loans. This may mean that a borrower can qualify for a larger loan if they select an ARM. The risk here is that if rates rise substantially, the payments can become prohibitive.

Indexes

Arm's interest rate changes are tied to changes in an index rate. An index usually moves with the general trend of the economy. The most commonly used indices are listed below:

Six-Month Certificate of Deposit (6 Month CD):

This index is the weekly average of the secondary market interest rates paid on Bank's Six-Month CDs. This index is generally considered to react quickly to changes in the market.

One Year Treasury (1 Year T-Bill):

This is the weekly average yield on the U. S. Treasury Securities adjusted to a constant maturity of one year. This index generally reacts quickly to market changes.

11th District Cost of Funds Index (COFI):

The average cost of deposits and borrowings for Savings & Loans in the Federal Home Loan Bank's 11th District, that consist of California, Arizona and Nevada. This index is slow moving due to the size of the deposits (approximately $3.5 Billion) and generally lags behind market fluctuations.

London Inter Bank Offered Rate (LIBOR):

The LIBOR is an average of the daily lending rates from several major English banks, used as a common international interest rate index. Like the CD, it tends to react quickly to changes in the market.

Prime Rate:

The Prime is the lowest commercial rate charged by banks on short-term loans to their most credit worthy customers. Mortgage rates and consumer loans rates are generally close to the prime rate, but exceptions occur.

Margin

To establish the ARM rate, percentage points are added to the index value. These percentage points are called the margin. The margin is established by the lender at the inception of the loan and remains constant for the term of the loan. To calculate the interest rate at the time of adjustment, the new rate is the index plus the margin (*Rate = Index + Margin*). The ARM interest rate will move as close to this new value as the period caps permit.

Periodic & Lifetime Caps

When an adjustable rate loan is established, a schedule is broken out for the frequency of adjustment. A typical example would be a one year ARM based on the One Year Treasury Spot. The loan would have a low start rate, and after the 12th month, it would adjust, and would continue to adjust annually for the term of the loan. ARMs are usually named for the frequency of the rate and payment adjustments. A loan that adjusts annually with the rate based on the One Year Treasury Spot is called a 1 Year T-Bill.

To make ARMs an attractive alternative to fixed rates, caps or limitations are built in so that the adjustment cannot be too severe. For example, on the 1 Year T-Bill, usually there is a 2.00% annual cap. This means that to calculate the rate for month 13 (Rate = Index + Margin), the lender will look at the fully indexed rate and adjust the new rate as close to this as the cap will permit. For example, if the loan started at 5.00% and had a 2.00% annual cap, the maximum rate for the second year would be 7.00% and the maximum for the third year would be 9.00% regardless of what Index + Margin is.

In addition to these periodic caps, ARMs will also contain a lifetime cap or ceiling. That is the maximum rate for the life of the loan, regardless of what market dictates. This amount can be considered the "worst case" interest rate and will usually exceed current fixed interest rates.

MORTGAGE TERMS…

Annual Percentage Rate (APR)
The cost of a mortgage stated as a yearly rate; includes such items as interest, mortgage insurance, and loan origination fee (points).

Conforming and Jumbo Loans: A conforming loan is a single family loan in the amount of $417,000. *Agency conforming loans*: $417,100 to $625,500. A *Jumbo loan* is any loan above $625,500 and up to $1,000,000. Any loan over $1,000,000 is considered a super jumbo. Can loan up to $5,000,000 on super jumbo products. FHA will allow up to $625,500.

First Adjustment: This is simply the month in which the first interest rate adjustment can take place.

Index: All adjustable and hybrids always have an index rate. The index is added to the loan's margin in determining the future rate.

Interest Rate: This is the start rate for any loan. This rate can be fixed and/or adjustable and can change per the terms of the loan listed in the promissory note provided by the lender.

Life Adjustment: This refers to the maximum interest rate adjustment possible on a loan.

Loan to Value Considerations: Loan to value, or LTV as it is commonly referred to, is the ratio of Loan Amount to the Value of a property. LTV considerations become important in several situations.

When a **property is purchased**, the down payment is critical to the lending decision. When the down payment is less than 20%, i.e. the LTV is greater than 80%; a lender will generally require mortgage insurance. This requirement also means that the loan will usually require an additional level of approval, from a Private Mortgage Insurance Company. Mortgage insurance coverage, or PMI, is a premium or fee which is included in the monthly mortgage payment. It can range from .22% to almost 1% of the loan amount annually, with the exact coverage determined by the loan type, insurance company, and LTV. Mortgage insurance payments are not tax deductible. Mortgage insurance can be eliminated in certain cases. Ask your loan agent for these possible options. In a **refinancing transaction**, the ratio of loan amount to appraised value is taken into account in a similar way. Especially when a client wants to obtain cash out in a transaction, the typical rule is a maximum of 75% of the appraised value for the total loan amount including any cash out. There are lenders who will go beyond the 75% limitation; however, the loan products and interest rates offered are generally not as competitive. Rate and term refinances, or borrowing the current loan amount plus applicable closing costs, can go up to 80% without requiring Mortgage Insurance. Again, at 80.01% or greater the new lender will demand mortgage insurance.

Margin: The margin refers to the spread added to the loan's index value.

Max 1st Adjustment: On hybrid loans such as the 5 year fixed, it is common to have a maximum first adjustment higher than the periodic cap. Max 1st adjustments can vary greatly and determine whether a particular loan is advantageous.

Periodic Cap: On adjustable rate loans and hybrid loans the periodic cap refers to the maximum increase or decrease allowed at each adjustment period.

Points: A point is one percent of the loan amount. Points represent pre-paid interest. Generally, the higher the points the lower the rate and APR. "See Paying Points section of this Booklet".

Term: The term is the life of a loan. Most often a loan will be amortized over the term repaying a portion of interest and principal at each period.

WAYS TO HOLD TITLE…

A Single Man / Woman

A man or woman who is not legally married.

An Unmarried Man / Woman

A man or woman, who having been married, is legally divorced.

A Married Man / Woman, as His / Her Sole and Separate Property

When a married man or woman wishes to acquire title in his or her name alone, the spouse must consent, by quitclaim deed or otherwise, to transfer, thereby relinquishing all right, title and interest in the property.

Community Property

The California Civil Code defines community property acquired by husband and wife, or either, during marriage, when not acquired as the separate property of either. Real property conveyed to a married man or woman is presumed to be community property unless otherwise stated.

Under community property, both spouses have the right by will to dispose of one-half of the community property, but all of it will go the surviving spouse without administration if the other spouse dies without a will. If a spouse exercises his or her right to dispose of one-half, that half is subject to administration in the estate.

Joint Tenancy

A joint tenancy estate is defined in the California Civil Code as follows, "A joint interest is one owned by two or more persons in equal shares, by a title created by single will or transfer, when expressly declared in the will or transfer to be joint tenancy". A chief characteristic of joint tenancy property is the right of survivorship. When a joint tenant dies, title to the property immediately vests in the survivor or surviving joint tenants. As a consequence, joint tenancy property is not subject to disposition of will.

Tenancy in Common

Under tenancy in common, the co-owners own undivided interest, but unlike joint tenancy, these interests need not be equal in quantity or duration and may arise in different times. There is no right of survivorship; each tenant owns an interest which on his or her death vests in his or her heirs or devisees.

Living Trust (One of the Most Important Documents You Should Have)

One of the most important document one can have when owning property or when they have medium to large asset portfolio. Contact an estate planner to see if you need one. On the last page, there are two I recommend.

For more info, contact an estate planner or tax planner

PAYING POINTS...

What are points?

Points are up-front mortgage interest fees paid on a loan to reduce the initial interest rate. For example, a one point loan will always have a lower interest rate than a zero point loan; therefore, paying points is a trade-off between paying money now versus paying money later.

When You Should Pay Points?

Generally speaking, you should only pay points if you plan on keeping the loan for at least 4+ years. Because points are prepaid interest, you need to be sure you will keep the loan long enough to recoup these costs through lower monthly mortgage payments.

If there is a chance you may move within a four year period or if the general interest rate market is declining, you should consider a no point loan. If you plan on keeping the property for an extended period and the interest rate market is increasing, you should consider paying a point. Of course each case is different. It is recommended to seek the assistance of a mortgage planner to make the right decision.

Tax Issues

The tax treatment of points depends on what the loan is being used for. If you are purchasing a home, points are generally entirely deductible in the year you buy. This is true even if the seller is paying for your points in the form of a NRCC credit.

In a refinance transaction, points must be amortized over the life of the loan. For example, on a 30 year loan, you can deduct 1/30th of the points paid each year. If you refinance for a second time, however, you can deduct the remaining unamortized points in the year you refinance the loan. Consult your CPA, tax planner or attorney for more info on this subject.

Example:

Loan Amount: $700,000

Loan Program	**Rate**	**Points (Cost)**	**Payment**	**Savings per Month**	**Breakeven Point**
7 Year Fixed	3.500	0	$3143/month		
7 Year Fixed	3.125	1 ($7000)	$2999/month	$144/month	31 months or 2.6 years

Notes: Break-even is based on cost after tax benefit equal to $4550 based on 35% tax bracket. Above rates provided only for educational purposes. Rates and fees subject to change without notice and only used for educational purposes.

TAX BENEFITS OF OWNING VS. RENTING...

As you may know, once you purchase a home, townhouse or condo, you are entitled to the tax benefits associated with home ownership.

This benefit allows one to adjust their w-4 or quarterly tax payment (for self-employed borrowers) to realize the benefit monthly rather than at the end of the tax year when filing ones tax returns. Based on this benefit, you are allowed to write off your interest up to $1,100,000 in loan amount and your property taxes calculated on the property tax rate which is currently 1.25% for California. (There is no cap on the property tax you are able to write off.)

As an example to this, please see the following scenario based on the purchase price of $875,000:

Loan Amt	Down Payment	Loan Program	P&I Payment	Property Tax	Home Insurance	Full PITI Payment
$700,000	20%	7 Year Fixed	$3143/month	$911/month	$75/month	$4129/month

Tax Benefit Analysis

Tax Write Off	Net Tax Benefit	Net Effective PITI Payment
$2952/month	$1033/month	$3096/month

Based on the above scenario, please see the following terms and how they relate to the above information, which pertains to tax benefits:

The approximate "Tax Write Off" above is based on the interest paid on the loan per month plus property tax paid per month on the owner occupied property.

The "Net Tax Benefit" above is based on the monthly tax write off multiplied by the tax bracket which can range from 28% to 41.5% and is based on the house hold income made for that year. We used 35% to calculate the numbers. (Contact your CPA or EA for these numbers and any specifics on the above)

The "Net Effective PITI Payment" above is based on the "Net Tax Benefit" subtracted from the PITI payment above and shows the net effective payment in real dollars which can be used to compare rent on a monthly basis. For a specific scenario, please contact us directly.

Notes: The following information is only an approximation and can vary based on the actual rate, payment and household income of the borrower(s). "For a complete analysis of this benefit, please contact your CPA, tax planner or tax accountant."

Provided by Rob McCarthy, Owner & Senior Mortgage Planner with 101 Loan
(408) 377-4123 Direct (408) 558-1422 Sr. Loan Coordinator (Renee)
rob@101loan.com renee@101loan.com www.101Loan.com
CA BRE # 01165697 NMLS #121019

Rob McCarthy
Owner and Senior Mortgage Planner
CA BRE #01165697 NMLS #121019
Direct Line: 408-377-4123 Email: rob@101loan.com Website: www.101loan.com

Qualifications

- 25 Years in Residential and Commercial Lending.
- Approved with over 45 lenders ensuring the lowest rates and fees.
- Closing in access of 3000 loans with a 99.9% success rate.
- Have closed over $2 billion in loan volume.
- Seasoned support staff to support our clients from start to finish of any purchase or refinance.

Education

- B.A. in Management with a Concentration in Finance – University of Phoenix

Military Experience

- United States Marine Corps - U.S. Marine - Honorable Discharge

Written Works

- Numerous brochures, newsletters, educational seminars and expert resource to SJ Mercury.

Testimonials

- Over 100 "5 Star Reviews" at http://www.yelp.com/biz/101-loan-campbell-3

Renee Stephens
Senior Loan Coordinator & Senior Mortgage Planner
408-558-1422 Direct Phone Email: renee@101Loan.com
CA BRE # 01205444 NMLS #326829

Renee Stephens, Senior Loan Coordinator to Rob McCarthy at 101 Loan, with over 25 year of experience in lending, Renee has worked with our clients making the transaction as smooth and efficient as possible.. Once the processing manager of First Portfolio and Rivkin and Associates, Renee has been working with 101 Loan and their lending team for over 10 years. Renee is an integral part of the operation and is critical to the success of the team as her many years of experience translates directly to day to day activities. Renee ensures our lenders meet our time expectations so the loan process is smooth and business closes on time as planned.

Nick Stephens
Loan Coordinator
Direct Phone: 408-628-0091
Email: nick@101loan.com

Nick has been with the company four years, assisting new clients initiate the home financing process and assisting the company with a plethora of support functions including client appointment coordination, client updates and the front person to most inquiries that come through Yelp or clients referred through our Realtors, Financial Planners and Tax Planners that we work with. From answering preliminary questions; reviewing initial documentation; completing loan applications; providing necessary follow-ups; to coordinating Rob's business calendar, Nick is a valued member of the 101 loan team.

Danielle Greco
Senor Loan Processor
Direct Phone: 408-708-0243
Email: Danielle@101loan.com

With over 10 years in the industry, Danielle fills a crucial role in our process, ensuring our files close on time. So many of our realtors are amazed on how efficiently we work and close on time which is not the norm when compared with other lenders. Danielle is the reason we are able to accomplish this.

REFERRAL PARTNER LIST

Tax Advisors:

- Maryann Ross, EA – MLP Financial 408-453-2000 mross@mlpfinancial.com
- Robert Tracy, CPA – Tax Help and Accounting Solutions 408-558-9000 robert@taxhelpco.com

Financial Advisors:

- Tim Pidgeon, Managing Director - Investments, Wells Fargo Advisors LLC, 415-291-1256 timothy.pidgeon@wfadvisors.com
- Joe Martin, Partner, Golub Group, 650-212-2240 Joe@golubgroup.com
- Kane Wong, Financial Advisor – Gateway Financial, 408-480-6290 kwong@gfainvestments.com

Estate Planning and Elder Law:

- Heidi Yousef, Attorney at Law 408-371-5376 hyoussef@yousseflaw.com
- Lisa Bryant – Alameda Law Group 408-286-2122 lcb@alamedalawgroup.com

Realtors:

- Because agents specialize in different geographic areas, property types and price ranges, please contact me discuss your needs, and I will refer you to someone that I have worked with before, and were happy with the process and outcome.

Residential General Contracting for Remodels and New Construction:

- Steve Johnson, Builder, SJR Ventures, 650-814-5371 steve@sjrventureinc.com
- Rich Mathers, General Contractor 650- 941-8218 rmcinc55@comcast.net
- Mike Hertzer, Landscape Contractor 408-377-4177 mhertzer@modernlandscapinginc.com

Property and Casualty Insurance Services:

- Dan Lorber with Allstate Insurance (408) 733-7646 danlorber@allstate.com
- Frank Hughes with Farmers Insurance (650) 815-7068 fhughes1@farmersagent.com

Legal Consulting (Business Law, Lease Agreements, Contracts, Residential or Commercial Legal Issues):

- Stephen Pahl, Attorney at Law, Pahl and McCay Law Offices (408) 286-5100 spahl@pahl-mccay.com
- Lino Martire, Attorney at Law (408) 280-6898 lino.martire@martirelaw.com

Important Notes: The material contained in this brochure is provided by various 3rd party providers and is for informational and educational purposes only and should not be construed as investment or tax planning advice. Although the material is deemed to be accurate and reliable, there is no guarantee it is not without errors. For questions and/or to verify the contained info, contact your local tax planner, certified public accountant, enrolled agent or tax attorney, lender or mortgage originator.

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