



FIRST REPUBLIC BANK
It's a privilege to serve you®



A QUICK AND EASY GUIDE TO HOME MORTGAGES

MEMBER FDIC • EQUAL HOUSING LENDER



If you're interested in buying your first home, your next home, or improving or refinancing your current home, First Republic Bank would like to help.

We've created this booklet to answer some of the questions you may have about securing a mortgage. And if you have more questions, please find the appropriate phone number on the inside back cover of this booklet and just give us a call.

Homeownership is an attractive investment that allows you to build up equity over time. You can also tap the equity in your home in the future with a home equity loan or line of credit to finance a business, pay for education, improve your home or achieve other financial objectives.

Let's start with the basics....



What Is a Mortgage?

Since most home buyers don't have the financial resources to pay cash for a home, they borrow money from a lender in the form of a mortgage. A mortgage is a long-term loan that a borrower obtains from a bank, thrift, independent mortgage broker or credit union. The house and the land that it occupies serve as collateral for the loan. This means that you agree to forfeit your interest in the property to the lender if you are unable to repay the loan on the agreed upon terms. Mortgage loans are generally structured to be paid off in monthly installments over a 15- or 30-year period.

Every Mortgage Loan Contains Four Components:

1. **Principal:** The amount of money you borrow
2. **Interest:** The amount that you pay the lender for the use of the borrowed funds
3. **Term:** The amount of time in which you agree to repay the loan
4. **Amortization:** The amount needed to repay the principal and interest within the scheduled term of the loan

Who Are the Players in the Mortgage Process?

Buyer

The purchaser of the home who takes out the mortgage and is obligated to repay the loan over time with interest.

Seller

The person or entity offering a property for sale.

Real Estate Agents

Licensed representatives engaged by a buyer and/or seller and paid a commission — a percentage of the sales price — for their efforts.

Title Insurer

Specialist who examines and insures that the title to the property is clear of encumbrances and reviews legal documents related to the sale.

Appraiser

Licensed, objective third party contracted to provide property value assessments.



Mortgage Lender

First Republic Bank is a mortgage lender. Mortgage lenders include commercial banks, savings and loans, credit unions, mortgage bankers, mortgage brokers and others that are chartered or licensed to lend money to prospective borrowers.

Home Inspectors

Licensed home inspectors are hired to examine the home's physical structure and systems from the roof to the foundation. Home warranty insurance can be purchased to insure buyers against costly defects that aren't discovered during the inspection.

Credit Reporting Agency

Credit reporting agencies (credit bureaus) collect information about your credit performance. They prepare reports of an individual's credit history for lenders, (as well as for employers and insurers), who in turn use these reports to determine a borrower's creditworthiness which affects the credit decision and loan terms.

They also provide credit scores which reflect your past pay history and level of outstanding debt relative to available credit. Some loan products have minimum credit scores required to qualify.

How Do Mortgages Work?

Because most people do not have enough cash for the full purchase price of a home, they obtain a home loan (mortgage) to help pay for it. These loans are based on a few borrowing principles.

The Purchase Price

The price of the home agreed upon by the seller and buyer.

Down Payment

The cash amount you pay toward the purchase price of your home at closing. Your home loan (mortgage) is the amount of money you borrow. Together, the down

payment plus the loan make up the purchase price of the home you are buying.

Interest Rate

The basic cost of borrowing money expressed as an annualized percentage.

Annual Percentage Rate (APR)

The annual percentage rate is the cost of the credit expressed as a yearly rate. Because all lenders follow the same rules to calculate the APR, it is a good way for you to compare the overall costs among your loan options. The finance charges for your loan will include any points and fees assessed, and will be reflected in the APR for your loan. The APR is intended to disclose the real cost of borrowing by adding all charges that would not

be part of the transaction if you paid cash for your home.

Term of the Loan

The length of time you have to repay your loan, typically 15, 25 or 30 years.

The Maturity Date

The date the loan is scheduled to be paid in full.

Points

A point is equal to one percent of the amount of money you borrow. Points are often charged at the beginning of the loan and are part of the cost of borrowing money. The loan origination fee is one form of points.

PITI

PITI is shorthand for four amounts that may be included in your monthly mortgage payment:

1. Principal
2. Interest
3. Taxes: Real estate taxes assessed by different government agencies to pay for school construction, fire department service, etc.
4. Insurance: Property insurance coverage against theft, fire, hurricanes or other disasters



Impounds

Many borrowers choose to include monthly installments for their anticipated property taxes and homeowner's insurance with their monthly mortgage payment. Impounds represent a portion of a borrower's monthly payments held by the lender to pay for taxes, insurance, and other items as they become due.



Lock-In

A lock-in, also called a rate-lock or rate commitment, is a lender's promise to hold a certain interest rate and a certain number of points for you for a specified period of time, while your loan application is processed. Lock-in rates can be 30, 45, 60 days or longer.

Second Mortgage

Any loan on the home made after the original mortgage loan or loan which is in a junior position to the first mortgage loan can be referred to as a second mortgage. Lenders will lend money secured by the equity in your home for making home improvements, consolidating debts, sending your child to college, etc.

Equity

Your home's current market value less the amount that you owe on your first mortgage and any second mortgage or line of credit using the home as collateral.

Closing

Closing procedures transfer ownership from the seller to you. Closing costs include fees you pay for the services of the lender and other costs involved with the sale of the home.

Escrow

Escrow is the practice of delivering all required money and documents to a neutral third party to hold until you, the seller, and the lender have fulfilled all the conditions of the agreements. The escrow agent prepares documents, pays off existing loans, requests title insurance, and divides tax and insurance payments between you and the seller. (In some states, this is handled by an attorney.)



Pre-Payment Penalties

Some mortgage lenders charge pre-payment fees if you pay off your mortgage prior to a specified date. Accepting a pre-payment penalty on your loan can sometimes enable you to obtain a lower interest rate. If you do not plan to pre-pay your loan within the period covered by the pre-payment penalty, this feature may save you some finance charges. However, you should check with your lender on pre-payment penalties. You may want to avoid pre-payment clauses if you plan to pay down your mortgage early.



What Are the Various Types of Mortgages?

There are many different types of mortgages. Our experienced relationship managers can help you determine which is best for your particular needs. Some of the most common mortgages available today include fixed-rate mortgages and adjustable-rate mortgages.

Fixed-Rate Loans

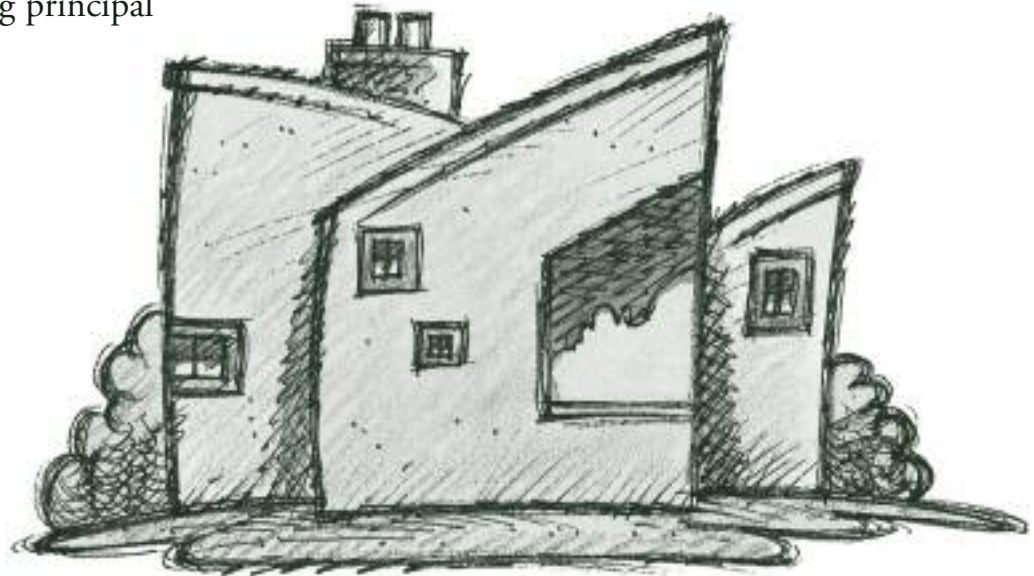
A fixed-rate loan has an interest rate that stays the same during the term of the loan. This means that your loan payments will stay the same — that is, they are fixed — for the entire term of the loan. Fixed-rate loans offer stability in fluctuating market conditions and the comfort of knowing exactly how much your housing payment will be.

Adjustable-Rate Loans

Adjustable-Rate Mortgages (ARMs) are home loans with interest rates that can change periodically. They frequently have an initial interest rate lower than that of a fixed-rate loan. After that initial period, the interest rate may be adjusted periodically based on an index that reflects changing market interest rates. Since your payment may go up or down with interest rate changes, your future monthly payments may be uncertain. ARMs therefore carry risks in periods of rising interest rates, but can be less costly over the long run if interest rates go down.

Interest-Only Loans

A mortgage in which your payments only cover the interest that accumulates on the loan balance. In other words, the loan balance does not decrease with the payments. Usually the interest-only payments last for a limited period, after which payments rise and the borrower begins paying principal in addition to interest.



How Do I Qualify for a Mortgage?

In order to qualify for a mortgage, most lenders require that you have a debt-to-income ratio of “28/36.” This means that no more than 28 percent of your total monthly income (from all sources and before taxes) can go toward housing, and no more than 36 percent of your monthly income can go toward your total monthly debt (this includes your mortgage payment). The debt they look at includes any longer term loans like car loans, student loans, credit cards, or any other loans that will take a while to pay off.

You also have to think about what you can afford. Specifically, you need to know how

much you have to use as a down payment and how much of a monthly payment you can handle. The calculators at www.firstrepublic.com can help you answer these questions and prepare for your first meeting with a lender.



What Are the Steps in the Mortgage Application Process?

1. Complete the “Uniform Residential Loan Application”

It requests information about your income, assets, liabilities and a description of the property.



2. Submit all documentation requested by your mortgage lender

The lender will need documentation pertaining to your personal finances — your earnings, your monthly expenses, and your debts — to help gauge your willingness and ability to repay the mortgage. You may be requested to provide any or all of the following information:

- Social Security Number
- Birth date
- Most recent pay stub showing year-to-date earnings
- W-2 tax forms and tax returns for the last two years
- Names, addresses and telephone numbers of your employers for the past two years

- For all loans and charge accounts, the name of the borrower, name and address of the institution, account number, monthly payment and current balance
- For all deposit accounts, such as checking accounts, savings accounts, stocks, bonds, etc., the name on the account, name and address of the institution, account number and current balance
- Three months of your most recent statements for deposit accounts, stocks, bonds, etc.

3. Pay an application fee to cover processing costs (if the lender charges one)

First Republic Bank does not charge an application fee.

4. Your lender is required by law to provide you with the following once you submit your application:

- Truth-in-Lending Disclosure: This statement includes a summary of all costs associated with the loan.
- Your Annual Percentage Rate or “APR”: This is the cost of credit expressed as a yearly rate. The APR includes the interest rate, points, broker fee and certain other charges that you (the borrower) are required to pay.
- A good faith estimate of the costs associated with the loan.
- ARM Disclosure (if applicable): Information on the important terms and costs of an adjustable-rate mortgage, the past performance of the index to which



the interest rate will be tied and a copy of the booklet, “Consumer Handbook on Adjustable-Rate Mortgages.”

- “A Home Buyer’s Guide to Settlement Costs”: A government publication that describes the closing or “settlement” process and its costs as well as information on your rights.
- A notice concerning your right to a copy of the property appraisal, if you are being charged for that appraisal. You are entitled to a copy if you have paid the cost of the appraisal to the lender.

5. Once you submit your application, several things take place behind the scenes:

- **Appraisal:** The lender will get an appraisal on the property because it is the collateral for your mortgage. You are entitled to a copy if you have paid the cost of the appraisal to the lender.
- **Credit Report:** Lenders will also examine your file at the credit bureau to learn if you pay your bills on time. You have a right to know what information is contained in your credit report and to have someone from the credit bureau help you understand what the report says. The major credit bureaus are:

Equifax	1-800-685-1111 www.equifax.com
Trans Union	1-800-888-4213 www.transunion.com
Experian	1-888-397-3742 www.experian.com

(You can order a free annual credit report online at www.annualcreditreport.com, by calling 1-877-322-8228, or by completing the Annual Credit Report Request Form found at: www.annualcreditreport.com, and mailing it to:

Annual Credit Report Request Service
P.O. Box 105281
Atlanta, GA 30348-5281.)

- **Flood Hazard Determination:** The lender will determine if the property is in a flood hazard zone and if so, you'll be required

by federal law to purchase flood hazard insurance prior to closing your loan. If you do not purchase the required insurance, the lender will not fund your loan. You are required to maintain flood insurance for the life of your loan while your property is in a designated flood zone.

- **Pest Inspection:** You may want to pay for a pest inspection to be fully aware of the condition of the home you are about to purchase.
- **Credit Decision — Underwriting:** Your lender will review all of the information obtained as part of your loan application. This information can include your application, your credit history, your tax returns, the appraisal for the property, the title search for the property, your financial

condition (assets, debts, income, and expenses), the amount of down payment you have, as well as the type and terms of the loan you are requesting. When all of the information is considered, the lender will take one of the following actions:

- The lender may approve your application.
 - The lender may ask for additional information.
 - The lender may decide not to lend you the money you've requested.
 - The lender may make you a counter-offer. For example, you may apply for a 30-year fixed-rate loan with a 15% down payment. The lender may offer to make you a 30-year fixed-rate loan with a 20% down payment.
- If your application is turned down, federal law requires the lender to tell you so in writing, and to tell you that you have the right to know the specific reasons for the denial. Some lenders will automatically tell you the reasons your application was denied, but with other lenders you may need to ask them to give you the reasons in writing. Make sure you understand the reasons given — you may be able to find answers or alternatives that will satisfy the institution's lending standards. For instance, you may discover that you inadvertently reported your monthly income rather than your annual income, or that your credit history includes information that is inaccurate.

Questions To Ask When Shopping for a Loan

- Is the loan fixed or adjustable?
- If the loan is fixed what is the fixed-rate period?
- If the loan is adjustable, what is the fully indexed rate, the index and the margin?
(Index + Margin = Fully Indexed Rate)
- If the loan is a fixed-rate loan, what is the interest rate?
- What will my monthly loan payments be?
- Will I be required to have mortgage insurance with this loan?
- Does the loan have an interest-only payment option?

- Does the loan have a prepayment penalty?
- What are the closing costs?
- Are there any points or is there an origination fee?



What About Refinancing Your Mortgage?

Refinancing is the process of obtaining a new mortgage with all or some portion of the proceeds used to pay off the original mortgage.

Refinancing can be a good idea for homeowners who:

- Want to lower monthly payments by getting a lower interest rate loan.
- Want to convert from an adjustable-rate mortgage (ARM) to a fixed-rate loan for the certainty of knowing exactly what the mortgage payment will be for the life of the loan.
- Want to build up equity more quickly by converting to a loan with a shorter term.
- Want to draw on the equity built up in their house to get cash for a major purchase or for their children's education.



How Can First Republic Bank Help?

While the mortgage process can be overwhelming at times, our bankers can help you navigate the process with ease.

With First Republic, a relationship manager will be your personal advisor from the moment you begin your mortgage loan process. We will meet with you at a time and place that is convenient for you and assist you in completing the loan application. We will also personally monitor the approval process for your loan and attend the loan settlement to ensure your satisfaction. Our bankers focus on quality service and make sure that you receive the personal attention that you deserve.

In addition, our Web site at www.firstrepublic.com has a series of financial tools and calculators designed to help you answer some crucial questions, including:

- How much can I borrow?
- What price home can I afford?
- Should I pay points to lower the rate?
- How much should I pay for a new home?
- Am I better off refinancing?
- What will my refinancing costs be?



Please call us at 1-800-392-1400 to learn how First Republic Bank can help you with your mortgage needs.

It would be a privilege to serve you.

NOTES:



First Republic Bank Residential Lending Offices

California

111 Pine St., San Francisco
(415) 392-1400 or 1-800-392-1400

2110 Mountain Blvd., Oakland
(510) 531-8881

1400 Civic Dr., Walnut Creek
(925-932-5353

640 Third St., Santa Rosa
(707) 544-8881 or 1-888-492-0888

1753 Trancas Street, Napa
(707) 254-8600

2550 Sand Hill Road, Menlo Park
(650) 233-8880

2275 El Camino Real, Palo Alto
(650) 329-8883 or 1-866-818-8883

275 Los Gatos Saratoga Road, Los Gatos
(408) 395-2235

18 W. Canon Perdido, Santa Barbara
(805) 560-6883 or 1-888-899-8899

1888 Century Park East, Century City
(310) 712-1888 or 1-877-743-7777

3991 MacArthur Blvd., Suite 300, Newport Beach
(949) 756-8828 or 1-888-339-3088

12626 High Bluff Drive, San Diego
(858) 259-2795

New York

320 Park Ave., New York
(646) 282-3400 or 1-877-486-6700

Rockefeller Center
1230 Ave. of the Americas, New York
(212) 459-9000 or 1-877-486-6700

Time Warner Center
10 Columbus Circle, New York
(212) 331-0088 or 1-866-309-8080

Massachusetts

160 Federal Street, Boston
(617) 330-1288 or 1-866-810-8919

Oregon

947 SW Broadway, Portland
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