



The Next Stage[®]

Your “Investment In Progress” Homebuyer’s Guide

Buying And Improving A Property
For Optimal Resale Returns



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Real Estate — Renovate And Reap The Rewards

Fixer-upper. Handyman special. In need of TLC. However you describe it, that less-than-perfect-condition investment property can offer great opportunities for renovation and resale. And the process of finding, purchasing, and fixing it up doesn't have to be as scary as it seems.

To help you make the most of your investment, we've created this special guide. Inside, you'll find tips on how to recognize potential red flags, understand the benefits of investing, and get a helpful overview of the purchase and renovation process.

After reading this guide, you may also want to request a copy of our Renovation Process brochure, which contains more comprehensive information about renovation financing, eligible properties and repairs, plus a step-by-step loan process description. You can request a free copy — and get answers to any specific questions you may have after reading this guide — by contacting your local Wells Fargo Home Mortgage consultant or by calling 1-800-342-7462.

Let's Get Started

Whether you already own an investment property or you're in the market, Wells Fargo Home Mortgage is behind you all the way. So take a few minutes to read through some helpful advice from people who've done it all and seen it all when it comes to financing renovation properties — your Wells Fargo renovation specialists.

What To Know Before You Shop Around

What Is A Fixer-Upper?

There is no one answer to that question. Fixer-uppers can run the gamut from simple cosmetic needs such as fresh paint or new appliances, to properties that may require structural work and other major renovations. In general, fixer-uppers meet these three criteria:

- The property is in need of such renovation that you wouldn't purchase it and live in it in its present condition.
- The extent of the repairs needed result in a relatively low asking price.
- The seller is willing to negotiate an attractive deal for the property.

What Kind Of Fixer-Upper Makes A Good Investment?

A fixer-upper in virtually any condition might present an opportunity for potential profit! For instance, you might pay close to market price for a property that just needs brightening and updating. These types of investment properties can be quickly fixed up and resold at minimal cost.

On the other hand, if a home is in need of major renovations, you can likely get it at a bargain price, bring the property up to the level of its neighbors, and then dramatically raise the selling price. The result? If done smartly, you could realize a very healthy return on your investment.

As a savvy investor, you need to be able to identify renovating needs, estimate your costs, weigh your profit potential, and know when to make an offer — or make a quick exit. So keep reading, we've got the facts you can use to hone your buying skills.

Why Investment Real Estate Is A Smart Move

A little capital may go a long way toward making a potentially admirable profit. More people are finding that out every day.

A recent survey by the National Association of Realtors® indicates a strong and growing interest in investment home purchases, rising from 20% of all second home purchases in 1999 to 37% in 2002. And the interest is expected to continue to thrive over the next decade, thanks to factors such as favorable tax-law changes, high demand for homes, and the desire among investors like you to diversify stock market holdings into more secure and lucrative investments.

All indications are that the sky is the limit and the opportunities are there for the taking. It's the perfect time for you to consider this savvy investment, too.

Using Leverage To Your Advantage

What is leverage and how can it work for you? In simple terms, "to leverage" is to use credit or borrowed money in an effort to increase the rate of return from an investment. Innovative financing like the use of leverage for your investment property can help maximize your potential profit and minimize your personal investment.

For instance, Wells Fargo Home Mortgage renovation specialists can tailor a single loan for you that covers both the purchase price of your investment property and the renovation costs. This enables you to keep expenses lower, complete repairs faster, resell the property sooner, and realize a larger potential profit, all with minimal outlay of your own time and money.

That's one way to exercise leverage. Just ask us, and we'll show you others.

Tips For A Smart Real Estate Investment

Securing The Right Financing — Why It's So Important

You can fund your investment in numerous ways, so it's important to review them carefully and choose the one that best suits your budget needs and financial goals. Working together, we can help you explore your options and tailor solutions to meet the criteria of your renovation projects. And, as always, we're just a phone call away.

Wells Fargo is the nation's #1 provider of home mortgage renovation financing,¹ the #1 home equity lender — and the only lender offering our exclusive Home Asset ManagementSM Account.² We'll be a valuable part of your team.

Our renovation specialists will help you capitalize on purchase opportunities using Personalized SolutionsSM that feature benefits like faster approvals, higher loan-to-value (LTV) ratios, and streamlined processing.

If you want to consider other possibilities like home equity loans, home equity lines of credit, or obtaining a credit card for financing, we'll walk through every option with you in detail. We'll also show you how each one fits, or doesn't fit, into your overall financial picture. Our goal is to help you reach the decision that best meets your needs.

On the next two pages, you'll find a quick comparison of some of the most popular financing choices.

¹ 2003 third quarter information from a report endorsed by the U.S. Dept. of Housing and Urban Development.

² Home equity financing offered by Consumer Credit Group, Wells Fargo Bank, N.A. 

A Comparison Of Some Popular Financing Options

Option	Benefits	Drawbacks
<p>Renovation Loan This is a single purchase loan that includes the cash you need to renovate your property.</p>	<ul style="list-style-type: none"> • The amount you are permitted to borrow is based on the after-improved projected value of the home once renovations are made. • Renovation can start immediately. • Renovation costs are amortized over the life of your purchase loan, making the increase to your monthly mortgage payment relatively small. • Recommended for small to large renovations. • Tax deductible.³ 	<ul style="list-style-type: none"> • Renovations may not be done on your own. You must hire a contractor.
<p>Home Asset ManagementSM Account This financing tool provides funds for purchase financing, plus a line of credit⁴ to finance improvements.</p>	<ul style="list-style-type: none"> • Obtain financing for up to 100% of the home's current value (before renovations are made). • You get a credit card, and a statement that helps keep track of expenses. • Improvements may be made with or without a contractor. • Recommended for small to large renovations. • Tax deductible.³ 	<ul style="list-style-type: none"> • You cannot borrow more money than the house is worth in its current, not-yet-renovated condition. • The home equity line of credit reduces your unused equity. If you have recently purchased your home, you may not have a great deal of unused equity.
<p>Home Equity Line of Credit⁴</p>	<ul style="list-style-type: none"> • The amount you may borrow is based on the existing value and the projected value of the renovations. • You can draw money as needed to cover renovation costs. • Renovation can start immediately. • Renovation costs may be repaid over the life of your home equity line of credit. • Recommended for small to large renovations. • Tax deductible.³ 	<ul style="list-style-type: none"> • The home equity line of credit reduces your unused equity. If you have recently purchased your home, you may not have a great deal of unused equity.
<p>Home Equity Loan⁴</p>	<ul style="list-style-type: none"> • You can borrow up to 100% of the home's current value, before renovations are made. • Improvements may be made with or without a contractor. • Recommended for small to large renovations. • Tax deductible.³ 	<ul style="list-style-type: none"> • The home equity loan reduces your unused equity. If you have recently purchased your home, you may not have a great deal of unused equity.

³ Consult your tax advisor for details.

⁴ Home equity financing offered by Consumer Credit Group, Wells Fargo Bank, N.A. 

Option	Benefits	Drawbacks
Personal Savings	<ul style="list-style-type: none"> • No loan or interest to repay. 	<ul style="list-style-type: none"> • Your personal resources are tied up, so it might not be a sound money management option. • Loss of interest income. • Difficult to keep track of expenditures.
Credit Card	<ul style="list-style-type: none"> • Line of credit with the flexibility to be paid in full each month, or repaid over time. • Loan is not taken out as part of your home equity. • Accepted at over 30 million locations. • Bills can help keep track of expenditures. • Earn points for purchases when enrolled in Wells Fargo Rewards[®] program. • WellsProtect[®] offers zero liability against unauthorized purchases. • Recommended for smaller improvements only. 	<ul style="list-style-type: none"> • Interest is often higher than a home equity loan and may not be tax deductible.⁵

Note To New Jersey Homeowners: Due to state lending statutes, not all home improvement lending programs are available. Contact your home mortgage consultant to learn more about how you can finance your home improvement.

⁵ Consult your tax advisor for details.

It All Begins With Preapproval

Before you begin your home search, get a Wells Fargo Home Mortgage preapproval. It'll make you a Priority BuyerSM in the eyes of real estate agents and sellers. The process begins with a written loan preapproval that helps define the price range in which you are looking. It also establishes you as a serious buyer, strengthens your negotiating power, and may shorten the financing process, because the paperwork is completed in advance. Once you know what you can spend, you can shop with confidence for your investment property.

Targeting Desirable Neighborhoods For Your Investment

It may seem like any house on any block has profit potential if you fix it up right, but the truth is, there are many factors to consider before you invest.

Studies indicate that investment property owners prefer to make purchases relatively close to their primary residence, with 37% buying a home less than 25 miles away. And when you stop and think about it, it makes perfect sense.

The better you know a community and its property values, the more quickly you can recognize a bargain. Plus, whether you're tackling renovations yourself or overseeing a team of experts — the more accessible the property, the less stressful your life. When a property is close by, it can make it easier on you should you need to rent it out, rather than sell.

Wherever you choose to purchase your investment property, be sure you thoroughly understand the market situation for the area. Speak with a real estate agent to understand what neighborhood improvements are taking place or planned for the future, because each property reinforces the value of the other properties in the neighborhood.

And remember, growth in the area should still be on the upswing, so that the good opportunities are still available and prices haven't hit the ceiling (meaning the only direction they can go from that point is down).

What Sells And What Sits?

Successful resale is based on a simple premise: give the buyers what they're looking for. In the case of a home, according to a survey by the National Association of Realtors[®], the following rank as the top three buyer preferences:

- Safe, low-crime neighborhoods.
- Good public schools.
- Strong local economy.

Other considerations that help decide where a family chooses to live include: parks and open space, affordability, and lack of major traffic congestion.

You'll want to consult with your real estate agent to understand what trends they're seeing in your target market to determine which area may be best for your investment. This is one area where facts should always win out over gut feelings, no matter how great a deal you think you're getting.

How To Buy Like A Pro

Finding Your Fixer-Upper

You could comb the Sunday papers for opportunities, but the search can be much simpler with a real estate agent on your side. A 2003 study by the National Association of Realtors® showed that 86% of homebuyers used a real estate agent during their search — and for good reason. Agents can be a valuable resource for insights into neighborhoods, costs, market value, and zoning regulations. Plus, they can show you a much wider array of appropriate listings, saving you time and effort. Here are some other suggestions that might help you turn up a diamond in the rough:

- Ask your agent to help you identify distressed properties that are returned to the lender (banks and mortgage companies) after foreclosures.
- Inquire about FHA/VA repossessions by contacting local lenders.
- Check online foreclosure listings. Wells Fargo foreclosures can be found at www.premierreo.com.
- Work by word of mouth, telling anyone and everyone you know that you're in the market for an investment in the area.
- Read newspapers for estate sales, which can indicate future home sales.
- Check your tax assessor's office for out-of-state owners.
- Drive through the neighborhoods of interest and leave pre printed cards in the mailboxes of potential properties.
- Ask residents of targeted neighborhoods for any leads they may have.
- Post "wanted" ads in local papers, bulletin boards in community centers, grocery stores and local community Web sites.

While it makes good business sense to partner with a real estate agent first, there are also many things you can do on your own to make things happen. All it takes is motivation and a little creativity.

How To Evaluate Your Potential Property

A critical aspect of your investment property venture is to know your market. A good way to begin is to answer questions like the ones below to help determine whether your fixer-upper truly offers the potential for profit.

- **What are the comparable properties?** Your real estate agent can furnish you with a comparable properties list (comps) showing recent sales of neighboring homes. Comps can help you establish what the post-renovation market value of your property might be. Going to local open houses gives you the chance to see features and amenities of other homes in the area. This information can help you determine the value and potential profit of the home you're considering.
- **How's the neighborhood?** Are other homes well cared for? Would the property you're considering be consistent with other homes once it's renovated? Making your home the nicest in the neighborhood can boost your investment costs, reduce profit potential — and actually make it harder to sell.
- **Should you call an appraiser?** You'll have to pay for the service, but it may save you money in the long run. An appraiser will usually look at three similar homes recently sold in the area, comparing their square footage, the number of bedrooms and baths, age, improvements, location and condition. This provides a clear picture of market values.

Recognizing Trouble Signs

Your goal is to renovate a home for quick turnover. You want to concentrate on making the repairs necessary to get the property into good selling condition and to make improvements that will ensure that the home is comparable to others in the neighborhood. What you don't want is a money pit that drains away your profit potential.

So don't be blinded by a deal-of-a-lifetime price, it most likely comes with the need for serious repairs that may end up costing more than the repaired home could fetch in today's market. As you view properties, be on the lookout for symptoms like these, which indicate extensive — and expensive — repairs may be lurking:

- Collapsed roof.
- Broken foundation.
- Shifting soil.
- Asbestos or lead contamination.
- Steel pipes that leak.
- Bad wiring.
- Bulging or broken walls.
- Bathrooms showing signs of neglect.
- Extensive damage from termites or other insects.
- Damage from floods or earthquake.

If you think your budget and timeline can handle making these types of repairs, then a home in need of major work could potentially bring you a sizable profit. The key is to do your homework and run the numbers before you make an offer.

What Improvements Are Worth Making?

Many factors affect the amount of potential profit you can expect from a renovation. These include: the home's appraised value, market value of other neighborhood homes, and how quickly values are rising.

Your real estate agent can give you an accurate idea of what your return on investment (ROI) would be for your specific area. These guidelines, taken from *Remodeling* magazine's 2002 Cost vs. Value report, offer the national averages on some common home improvements:

Kitchen remodel:	Mid-range – 67%,	Upscale – 80%
Bathroom remodel:	Mid-range – 88%,	Upscale – 91%
Bathroom addition:	Mid-range – 94%,	Upscale – 81%
Family room addition:	79%	
Two-story addition:	94%	
Basement remodel:	79%	
Siding replacement:	79%	
Window replacement:	Mid-range – 74%,	Upscale – 77%
Master Suite:	Mid-range – 75%,	Upscale – 77%
Roof replacement:	67%	

Another good resource is the National Association of Home Builders. They can help you determine the cost of improvements relative to value when you're ready to resell. Log on to their Web site at www.nahb.com.

Help Is At Hand

We've got so much to offer when it comes to sharing valuable information that can support you through the home search, financing, and renovation process. And much of it is just a click away at our easy-to-explore Web site. Just log on to www.wellsfargo.com/mortgage and explore tips, charts, research, resources, and all the advice you need to become a savvy investor.

You'll find online mortgage calculators, interest rates, a homebuying checklist, closing cost estimators, plus do-it-yourself tips that can help your investment property shine. There's also a calculator — linked to your geographic market — which tells you how much the renovations you're planning will raise your home's value.

Discover Your True Profit Potential

Who'll Fix Up Your Fixer-Upper?

You've found an intriguing property, and you'd like to make an offer. Keep in mind, there's much to consider beyond the selling price.

First, you need to get a comprehensive picture of what it will cost to make the necessary improvements. Go through the house, on your own, room by room, and make a list of the renovations you would like to make. Better yet, bring in a professional who may see things that don't catch your eye.

Either way, keep in mind that you'll want to keep the house fairly generic. What's "exotic" to some may seem downright "bizarre" to others. Your goal is to keep the home "acceptable" to everybody's tastes. Also, be sure your renovations are in keeping with the flavor and value of the other homes in the neighborhood. For example, you don't want to add a fancy media room if the rest of the homes have traditional seven-room layouts.

Once you have your list, it's time to decide whether you'll be making the renovations or working with experts. You'll want to consider not only how handy you are, but also how much time you have to take on the repairs. Then think about how quickly you'd like to get the home back on the market — it can take weeks to months depending on the extent of the renovations.

If the home needs purely cosmetic or routine repairs, you can probably tackle them yourself. But experience is a prerequisite for extensive projects such as remodeling a kitchen, installing wiring, or adding an extra room. So before you tie on that tool belt, make a realistic assessment of your time and talent.

If you think you might want to hire out, it could be helpful to call in at least two qualified contractors for free estimates on the changes you'd like to make. Later on you can decide who to hire for the job. But right now, your priority is getting ballpark figures and time lines.

Build In Your Potential Profit

You're buying a property for one reason: to make money. With that in mind, many experts recommend that you factor in your desired profit up front, just as if it were a business cost. For example, a typical estimate is for your profit to be from 10 to 20% of the home's market value *after improvement*. The more renovations needed, the larger your investment and the longer your money is tied up, so you should increase your profit percentage accordingly.

Determining Your Top Price — How High Will You Go?

What's the most you'd be willing to pay for a property? Before you answer, here are the costs you should consider in addition to your estimated profit margin:

- Repair and improvements.
- Closing costs (things like attorney fees).
- Finance costs (cash to close and the interest paid on the financing).
- Taxes and insurance.
- Resale costs (real estate agent's commission or marketing costs if you plan to sell it yourself).
- Holding costs (including mortgage payments, taxes, insurance, and utility costs).
- Miscellaneous costs (always leave room in the budget for "surprises").

Assume you'd like to purchase a property that would resell for \$100,000 in good condition...

- It needs substantial repair so you decide on an desired profit margin of 15%, or \$15,000.
- Contractors have estimated repair costs to be \$15,000. You speak to your attorney and home mortgage consultant and calculate legal and financing costs.
- You figure it should take six weeks for renovation and an additional three weeks to turn over the property. Plus you need to figure in the real estate commission you'll pay as a seller.
- You then estimate your taxes, utility, insurance, and mortgage costs for that nine-week period.
- Finally, you add an additional 10% of the renovation costs, or \$1500, for miscellaneous costs.

Here's how this example would net out:

Fair Market Value of Home (in good condition)	\$100,000
Investor's desired profit (15%)	(15,000)
Renovation costs	(15,000)
Closing costs	(500)
Finance costs	(2,000)
Taxes and insurance	(700)
Marketing costs	(250)
Utility costs	(300)
Mortgage payments	(1,000)
Miscellaneous costs	(1,500)
Total costs	\$36,250
Your ceiling purchase price	\$63,750

Closing Your Deal With Ease

Your Initial Offer — The Art Of Negotiation

The first rule of real estate buying is never let your first offer be your top price. After all, your goal is to acquire the property at the lowest possible price. But remember, you don't want to offer such a low figure that the seller is offended or doesn't take your offer seriously.

A good rule of thumb is to make your initial offer 5% to 20% lower than your top price. Before submitting an offer, ask your real estate agent about recent trends in asking prices and offer prices. The amount you can “ask off” will be based on the comparables (selling prices of other comparable homes in the area) as well as how active the market has been overall.

Be sure to come armed with written estimates of needed repairs, plus your Wells Fargo Home Mortgage preapproval. These documents will be valuable in helping you negotiate a price that’s agreeable to both you and the seller.

How Lower Costs Can Net Higher Gains

We can help you make the most of your investment and your profit potential with one of the widest selections of home financing products and programs available in the industry.

Our fixed- and adjustable-rate mortgages give you a choice of terms and down payment options, including a money-stretching interest-only payment option that may be just right for your investment needs, along with several other types of mortgages to choose from.

And, if your goal is to improve and resell a property while leaving funds free for other investments, our specially designed Purchase & RenovateSM program may be your best choice. The loan amount is based on the after-improved value of your property, so with just one application and one closing, you’ll have a mortgage plus money to cover renovation costs. The Purchase & Renovate program advantages include:

- Fast turnover: renovation work can begin immediately after closing.
- Low monthly payments: improvement costs are spread out over the term of the loan.
- A variety of eligible properties: single family homes, two- to four-unit homes, condos, and more.

Not sure what option is best for you? Just give one of our home mortgage renovation specialists a call. You can reach one through your local Wells Fargo location, or by calling 1-800-342-7462, or by submitting an online request at www.wellsfargo.com/mortgage.

Preparing For Closing Step-By-Step

You’ve submitted your home financing application and received a decision. What happens next? Here are the steps that will take you to closing:

1. Appraisal

Your home mortgage consultant will help you find a professional appraiser to determine the value of the home you want to purchase. In addition to ensuring the lender that the property backing the loan will cover the loan amount in case of default, an appraisal can also provide you with a comforting sense of the home’s value by comparing it to others that have recently sold in the area.

2. Home Inspection

A professional home inspection is recommended with any home purchase and can help you identify any potential issues with the home you’re considering. In some cases, a home inspection may be required as part of your home financing approval process.

At minimum, the inspection should cover all the home’s major systems and structural elements, including the foundation, electrical system, heating and cooling systems, insulation, roofing, plumbing, and all exterior features.

You may also want to get a pest inspection to look for any issues related to termite or mold infestations. You should make every effort to be present during the inspection so you can see any problems firsthand.

3. Homeowners Insurance

Did you know that most mortgage lenders, at closing, require proof that you've purchased homeowners insurance? Wells Fargo Insurance, Inc. is ready to help you protect your home with customized insurance through the Wells Fargo Select® Homeowners Insurance Program.⁶

In the event of a loss such as a fire, tornado, or burglary, homeowners insurance can pay for damages to the home, as well as for costs to repair or replace contents. If the home is damaged and becomes uninhabitable, homeowners insurance can cover additional living expenses for a period of time while your home is being repaired. Homeowners insurance can also protect you from loss if someone is injured or their personal belongings are damaged while on your property.

It's protection that's just right for you, because it's tailored to your individual needs. Call 1-800-237-1515 for a free, no-obligation consultation and price quote. Wells Fargo Insurance will customize a program and provide proof of insurance in time for your closing.

4. Title Insurance

There are two types of title insurance: one protects the lender and one protects the borrower from claims against your ownership of the property.

Such claims may be made by: undisclosed spouses, heirs of previous owners, creditors holding liens against previous owners, or other parties. Your lender will most likely require you to purchase a title policy, which will cover their interest in the property.

It's up to you if you would like to purchase a policy to protect your interest in the home. Your home mortgage consultant will be able to recommend a title insurance company who can provide you with additional information about the policies available in your area.

5. The Renovation Finance Process

Once you're approved for your home financing, you will be contacted by your renovation mortgage specialist to discuss approval conditions. As your renovations are made, you will schedule required inspections when applicable, such as septic and termite inspections.

You'll also be asked to verify that necessary permits are obtained. Your home mortgage consultant will assign a HUD-certified consultant to determine the scope of your work. You, your contractor, and Wells Fargo Home Mortgage will each review and accept the scope of work.

Renovation must begin within 30 days of closing, cannot stop for longer than 30 days, and must be completed within the pre-negotiated timeframe. As work progresses and is completed, the HUD-certified consultant inspects it, funds are requested, and disbursements are made.

⁶ Wells Fargo makes insurance available through Wells Fargo Insurance, Inc. or licensed affiliates. CA license #0831603.

- **Not insured by FDIC or any federal government agency.**
- **Not deposits of or guaranteed by any bank.**

Coverage may not be available in all states or for all properties.

Choosing The Right Contractor

Recent National Association of the Remodeling Industry (NARI) studies indicate that almost half of all contractor projects come through client referrals. Another 22% are the direct result of word of mouth.

When you're ready to begin your renovation, ask family, friends and colleagues for recommendations. You can also get referrals from lenders, architects, real estate agents and materials suppliers. You can also contact your local NARI chapter, attend home shows, and check the papers for local remodelers. Here are some things to check for when going through your choices:

- Always choose a contractor who has an established business in your area.
- Make sure the contractor meets your state's requirements to be licensed or bonded.
- Check with the Better Business Bureau® for any complaints.
- Ask to see a copy of the contractor's insurance certification.

Select at least three contractors to submit written bids for your job, each using the same plans and specs. Be careful of a bid that is significantly lower than the others. There may be omissions or mistakes. The lowest bidder is not always the best choice. Go with the professional with whom you feel most comfortable.

Here are some questions NARI recommends you ask when interviewing potential contractors:

- How long have you been in business?
- Will employees or subcontractors be working on the project?
- Who will supervise the job?
- What percentage of your business is repeat or referral?
- How would you approach this renovation project?
- How many projects of similar scope have you completed in the past year?
- May I have a list of referrals from these projects?
- May I have a list of your suppliers?

A Well-Written Contract Is Key

Once you've selected a contractor and you've decided on the scope of your renovations, you're ready to put it in writing. A good contract prevents mistakes, avoids misunderstanding, and keeps your project on time and within budget. It's a good idea to have your attorney draft or at least review the contract. Here are some items the contract should include:

- The contractor's name, address, phone and license number.
- The approximate start and completion dates.
- Exactly what the contractor will and will not be doing.
- A list of all materials and products, including models and brand names.
- Clear explanation of all financial terms, including the total price and any charges for change orders or cancellation.

You should consult your legal advisor for a review of any agreement before you sign.

Finally, It's Time For Your Turnover

When the renovations are nearly complete, you're ready to begin your initial steps to sell the property. Remember, each week between completion and resale can cost you hundreds of dollars. So work with your real estate agent to fast-track the sale of your home.

Imagine You've Made A Nice Profit — What's Next?

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

Congratulations, you've closed a great deal, and you've only just begun. This investment property, and others you'll purchase, renovate, and sell, are all excellent building blocks to your financial security and financial growth, so it pays to be prepared to handle your increasing wealth. We're here to support and enhance your success with state of the art money management services through Wells Fargo Bank. Ranked third in the nation for market value (as of June, 2003), Wells Fargo Bank is the USA's most extensive banking franchise, providing financial services to more than 13.8 million people. With over 3,000 banking stores and the nation's top Internet banking site, we're ready to fuel your growing wealth with innovative programs that make the most of your time and resources. Your Wells Fargo Home Mortgage loan opens the door to discounts on an array of banking products and services all enhanced with special features for your convenience.

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 Account⁷ — saves our most valued customers time and money with unmatched benefits.

- Waived fees on linked checking and savings accounts.
- Bonus interest rate on linked savings and Wells Fargo IRA accounts.
- Reduced rates on loans and lines of credit.
- Free online statements.
- Discounts on safe deposit boxes (where available).

It also includes a combined monthly statement that helps simplify financial management by putting all your vital account information in one place.

Home Equity Financing Options⁸

Some homebuyers find that instead of a quick resale, managing their property and the equity associated with it can provide enormous financial opportunity. These investors may borrow against their home equity to make home improvements, for college tuition or other large expenses, and even to fund the purchase of other investment properties. Using your home equity can be a smart way to obtain financing because the interest you pay may be tax deductible, unlike most credit cards and other loans.⁹ Some home equity programs 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 equity.
- **Home Equity Loans And Lines Of Credit⁸** involve getting a secondary financing on top of your original mortgage, taken out against a portion of the unused equity in your home. A home equity loan provides you with a single lump sum, whereas a home equity line of credit establishes an account on which you can draw from as needed up to a specified maximum amount. Both programs offer lower interest rates than typical consumer credit loans/lines, as well as potential tax advantages.

A Wells Fargo Home Mortgage consultant will be happy to assist in examining whether a home equity program is right for you.

⁷ Wells Fargo Portfolio Management Account is offered by Wells Fargo Bank, N.A. Member FDIC.

⁸ Home equity financing offered by Consumer Credit Group, Wells Fargo Bank, N.A. 

⁹ Consult your tax advisor for details.

Easy Account Management

They're convenient. They're easy. They're free. Our special services are designed to make your investment life easier.

- **Online Mortgage 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 PaymentSM** service enables you to focus on the renovation and resale of your property, knowing your mortgage payment is automatically deducted from your checking or savings account each month.

Wells Fargo Online[®]

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 allows you to pay any individual or company in the U.S. And it's free for the first two months.¹⁰

- 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.

Place Your Home Mortgage Needs In Experienced Hands

Your team of real estate and home financing lending professionals wishes you success in your investment property venture. It's an exciting and rewarding experience to find a property, make your investment, and possibly realize a potential profit from all of your efforts.

As you venture into the world of buying and selling real estate, we hope you'll consider us a valued resource and trusted confidante as you make future purchases, renovations, and sales of homes. Please let us know how you're doing and how we may be of service to you. If you have any questions about purchasing or financing investment properties, don't hesitate to give us a call.

Dreaming Is The First Stage

You've always dreamed about becoming a real estate investor and experiencing the thrill of negotiating, renovating, and realizing potential profits from the sale of your homes. And we're here to help make that dream come true, with ease.

¹⁰Bill 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 www.wellsfargo.com/bp_waiver.

You, too, can benefit from the strengths of the company that provides funding for an extraordinary 1 out of every 8 homes¹¹ financed in the United States. From first offer to closing, renovation to resale, we're committed to offering you the most extensive product line in the mortgage lending industry.

Service — How, When, And Where You Prefer

Locally: Whether you visit us in a mortgage office or a Wells Fargo Bank branch, our home mortgage consultants are available in more than 1,800 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.

By Phone: If you're someone who prefers to apply by phone, Wells Fargo Home Mortgage can handle your mortgage application entirely by phone. Call us at 1-800-342-7462.

Internet: Visit our Web site at www.wellsfargo.com/mortgage to find out about our extensive array of products, explore mortgage options or even begin the application process. Or simply use our Web site for research and information and then speak to a home mortgage consultant in person or by phone. No matter how you choose to work with us, you can depend on our staff to provide you the best home-loan solutions.

Wells Fargo — Catch The Next Stage® To Your Success

For over 150 years, the Wells Fargo name has stood for reliability, integrity and pioneering products and services that help people manage their money and grow their assets. Wells Fargo & Company is a multibillion dollar diversified financial investment and consumer financial services company.

As part of the Wells Fargo family, we can provide easy customer access to additional products and services to help achieve new goals and realize new dreams, today and in the future.

¹¹ Based on 2003 year-end statistics by *Inside Mortgage Finance*, 1/30/04.

Potential Investment Property Checklist

Print out a few copies of this checklist to use as you visit prospective homes.

Having a record of what each home offers can make your final decision much easier.

Date Seen _____

Address _____ Price _____ Property Taxes _____

Seller _____ Age of Home _____ Neighborhood _____

Style of Home

- Two Story Ranch Split Level Traditional
 Contemporary Cape Cod Townhouse Condo

Type of Construction

- Wood Brick Stone Stucco
 Vinyl Siding Aluminum Siding

Exterior Features

Roof _____ Landscape _____ Fenced _____ Porch _____

Paint _____ Trees _____ Patio _____ Deck _____

Expansion Ability _____ Other _____

Garage 1 Car 2 Car 3 Car Detached

Roof Condition Good Fair Poor

Sidewalks Yes No

Well-Maintained Neighborhood Yes No

Interior Features

Kitchen Eat-in _____ Size _____ Walls _____ Floor _____ Appliances _____
Cabinets _____ Ceiling _____ Windows _____ Other _____

Dining room Size _____ Walls _____ Carpet _____ Ceiling _____ Lighting Fixtures _____
Other _____

Living room Size _____ Walls _____ Carpet _____ Ceiling _____ Lighting Fixtures _____
Fireplace _____ Other _____

Den Size _____ Walls _____ Carpet _____ Ceiling _____ Lighting Fixtures _____
Fireplace _____ Other _____

Hallway Walls _____ Carpet _____ Linen Closet _____ Other _____

Total Bedrooms _____

Bedroom 1 Size _____ Walls _____ Carpet _____ Ceiling _____ Closet _____
Other _____

Bedroom 2 Size _____ Walls _____ Carpet _____ Ceiling _____ Closet _____
Other _____

Bedroom 3 Size _____ Walls _____ Carpet _____ Ceiling _____ Closet _____
Other _____

Total Bathrooms _____
 Master bath Size _____ Walls _____ Floor _____ Tub _____ Fixtures _____
 Guest bath Size _____ Walls _____ Floor _____ Tub _____ Fixtures _____
 Laundry Room Location _____ Washer _____ Dryer _____ Other _____

Good Closet Space Yes No
 Basement Yes No Finished
 Flooring Carpet Hardwood Tile

Utilities

Type of Heating
 Hot Water Gas Electric Oil

Insulation
 Fiberglass Cellulose Foam None

Central Air Yes No

Plumbing Condition Good Fair Poor

Sump Pump/Drainage System Yes No

Connected to Sewer System Yes No

Age of Heating System _____ Age/Capacity of Water Heater _____ Age of Electrical Wiring _____

Easy Proximity to:

Work Schools Shopping Airport Area Industry
 Highways Houses of Worship Train Station Public Transportation
 Doctors/Dentists

Recent sales in neighborhood:

Address _____ Size _____ Price _____ Terms _____
 Address _____ Size _____ Price _____ Terms _____
 Address _____ Size _____ Price _____ Terms _____
 Address _____ Size _____ Price _____ Terms _____

Real Estate Listings Decoder

Exterior House/Yard	LDY/UT	Laundry/Utility Room	WASH	Washer
AC Acre	LIB	Library	WHLPL	Whirlpool Tub
ALUM Aluminum Siding	LR	Living Room	W/OVN	Wall Oven(s)
ANQ Antique House	MBR	Master Bedroom	WTR	Water (city or well)
ATT Attached Garage	MBRB	Master Bedroom Bath	Interior Features	
CLPD Clapboard	OFF	In-Home Office	BAL	Balcony
COL Colonial	PT/FIN	Partially Finished	BLT	Built-Ins
CONT Contemporary	REC/PL	Recreation/Play Room	BRK	Brick
CRPT Carport	RM	Room	CER	Ceramic Tile Floors, Walls
DET Detached Garage	UNFIN	Unfinished (attic, basement)	CLST	Closet (often with #)
DK Deck(s)	Appliances/Utilities		FLR	Floors
FEN Fenced Yard	APPL	Appliances	FML	Formal (often DR)
GZBO Gazebo	CAC	Central Air Conditioning	FPL	Fireplace
IGPL Inground Pool	CK/TP	Cooktop	HDWD	Hardwood Floors
MED Mediterranean	CMPT	Compactor	HMOD	Handicap Modifications
RNCH Ranch	C/VAC	Central Vacuum	PNLD	Paneled
RR Raised Ranch	DRY	Dryer	SKYLT	Skylight(s)
SCPD Landscaped	DSP	Disposal	SP/ENT	Separate Entrance
SHNGL Shingle	D/W	Dishwasher	VLT/CL	Vaulted Ceiling(s)
SPLT Split Level	ELEC	Electric (with #amps)	WI/CLST	Walk-In Closet
STY Style of House	FRZ	Freezer	WU/ATT	Walk-Up Attic
TWNHS Townhouse	HT/PMP	Heat Pump	WBF	Wood-Burning Fireplace
Interior Rooms	HT/WTR	Hot Water Heater	Mortgage Terms	
BA Bath (with #BA)	ICE	Ice Maker	ASMT	Tax Assessment
1/2B Half Bath	MICRO	Microwave	ASSUM	Assumable Mortgage
BR Bedrooms (with #BR)	RAD/HT	Radiant Heat	FHA/VA	Financing Available
BSMT Basement	REF	Refrigerator		
DR Dining Room	RNG	Range		
FIN Finished (attic, basement)	SEC/SYS	Security System		
FOY Foyer	SWR	Sewer or Septic		
FR Family Room	WAR	Warranty		
GTRM Great Room				
KIT Kitchen				
LAW In-Law Apartment				

Glossary¹²

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

Alternative Financing – A home financing program that accommodates borrowers with special qualifying factors, including poor credit histories.

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.

Appreciation/Depreciation – “Appreciation” refers to the increase in a property's value, except for inflation. When a property decreases in value it is called “depreciation.”

Assessed Value – The value that a taxing authority places on real or personal property for the purpose of taxation.

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.

Broker – An individual employed on a fee or commission basis as a real estate agent to bring buyers and sellers together and assist in negotiating contracts between them for the sale of residential real estate.

Buyer's Broker – Most real estate brokers and agents work only for the sellers. A buyer's broker serves the interest of the buyer and has no relationship with the seller.

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.

Commission – Compensation for negotiating a real estate or loan transaction, often expressed as a percentage of the selling price or loan amount.

¹²The terms in this glossary refer to your primary mortgage loan and do not necessarily apply to your home equity loans and home equity lines of credit.

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

Comparable Market Analysis (CMA) – A written analysis of houses having similar characteristics currently being offered for sale as well as comparable houses sold in the past six months. This enables you to determine if you are paying market value for a home, and to identify whether market prices are rising or falling.

Contingency – A condition that must be met.

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.

Deed – The legal document conveying title to a real property.

Default – The failure to perform an obligation as agreed in a contract.

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 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.

General Contractor – Supervises the building process by managing the construction effort performed by the various contractors.

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.

Home Warranty – A kind of insurance that covers the cost of repairs to specific items in the home for a specified period of time.

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.

House Inspection – A thorough evaluation and written report of a home's condition both inside and out. The inspection is valuable in locating any problems in a property and helps you determine the extent of renovation needed. You can use the report to have the seller make repairs or reduce the purchase price. Always use your own inspector, and do not rely solely on the seller's inspection reports.

HUD-1 Settlement Statement – A standard form used to disclose costs at closing.

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.

Leverage – Using credit or borrowed money to increase the rate of return from an investment. For example, by purchasing a \$100,000 home with 10% down, you are using just \$10,000 to control the investment.

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.

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.

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

Multiple Listing Service – A computer-based shared listing service for real estate agents that provides descriptions of most of the houses for sale in an area.

Nonconforming 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.

Prepays – 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 BuyerSM – 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.

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.

Real Estate Agent – A salesperson, usually licensed by the state, and supervised by a broker. Agents work solely on commissions earned by selling properties.

Realtor[®] – Person licensed to sell or lease real property acting as an agent for others and who is a member of a local real estate board affiliated with the National Association of Realtors.[®]

Return On Investment – The percentage of capital gain that you make on an investment. For example, say you invest \$1,000 into a property, and a year later it is worth \$1,500. Your return on investment equals the profit (\$500) divided by the initial investment (\$1,000) or 50%.

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.

