

PROSPERITY BANK

Home Loans

BORROWER GUIDE



PROSPERITY
BANK®



At Prosperity Bank we understand

a mortgage product must fulfill your specific needs. Our experienced mortgage professionals are committed to providing you with the mortgage product that fits your needs. To ensure that you are aware of the possible choices in financing, the following pages will contain a description of the mortgage products offered by Prosperity Bank.

Have a Question or Need More Information?

If you're a borrower with a question about Prosperity Bank home loans or your current loan, please contact your servicing officer. You may also contact our Mortgage Client Services team by phone at [1-800-657-9500](tel:1-800-657-9500) or email at newhomeloans@prosperitybankusa.com.



Prosperity Bank NMLS #466414.

This publication is not a contract and does not constitute loan approval. Qualifications, terms and rates vary for each category of loans and individual products. Interest rates and fees are subject to change at any time. Loan availability is contingent on borrowers meeting eligibility and underwriting requirements and receiving final approval for a specific loan. Final approval can only be made following a full underwriting analysis by Prosperity Bank.



BORROWER GUIDE

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Terms to Know

Adjustable Rate Mortgage (ARM)

ARM - This means Adjustable Rate Mortgage, which is a loan that has an adjustable interest rate. The interest rates are based on an index plus a margin. ARMs have a rate that moves up and down after an introductory period which means the monthly payment can fluctuate up or down.

Amortization

How your loan payments are split between principal and interest. Early on, most of your payment goes toward interest but over time more goes toward the principal.

Annual Percentage Rate (APR)

APR is the total cost of your mortgage, shown as a yearly rate. It includes the interest, mortgage insurance, and other fees. Because it covers more than just the interest, the APR is usually higher than the interest rate you see.

Appraisal

A written report by a qualified appraiser estimating the value of property.

Closing Costs

Expenses incurred as part of the loan closing. Closing costs normally include origination fees, attorney's fee, taxes, escrow payments, title insurance and sometimes discount points. Lenders must provide estimates of closing costs to prospective home buyers.

These are generally fixed fees between the lender, the title company, and third-party vendors involved in the origination and closing of the transaction.

Closing Disclosure (CD)

The Closing Disclosure (CD) document gives you the final details about your mortgage. It shows the loan terms, your monthly payment, and all fees. This document must be signed before closing, missing signatures could delay the closing.

Debt-to-Income Ratio

A debt-to-income ratio is the comparison of your gross income (before taxes) to your monthly expenses with your housing expenses.

There are two ratios used to qualify you for a mortgage. The first is called the front-end ratio, or top ratio, and is calculated by dividing your new total monthly mortgage payment by your gross monthly income. The second is called the back end, or bottom ratio, and is equal to your new total monthly mortgage payment plus your total monthly debt divided by your gross monthly income.

Down Payment

The amount of a property's purchase price that the buyer pays up front and does not finance with a mortgage. Down payment requirements vary so it is important to speak with an expert Loan Officer.

Escrow

Escrows are when a customer has taxes and insurance included as part of the monthly mortgage payment. An account is established and when the taxes and insurance come due, the escrow provider will issue payment to these entities. Mortgage payments that include taxes and insurance are sometimes referred to as PITI payments (see PITI below).

Equity

Equity is the difference between the value of a property and the amount of money owed on it. It's the portion of a home that a person owns. On a new purchase loan, the down payment represents the equity in your home.

FHA Loans (Federal Housing Administration)

FHA loans are loans insured by the U.S. Department of Housing and Urban Development (HUD). FHA loans are designed to make housing more affordable, particularly for first-time homebuyers. FHA loans

Terms to Know Continued

typically permit borrowers to buy a home with a lower down payment than conventional loans or refinance with less home equity.

Fixed-Rate Mortgage

A home loan in which the interest rate will remain the same through the life of the loan.

Foreclosure

The legal process by which a homeowner in default on a mortgage is deprived of interest in the property. This usually involves a forced sale of the property at a public auction with the proceeds of the sale being applied to the mortgage debt.

Funds to Close

The total amount required, including down payment and closing costs, to be brought to closing by the borrower. Your trusted Loan Officer will discuss this information in detail with you. This is also disclosed on the Closing Disclosure (CD) prior to closing to ensure there are no surprises when you get to the closing table.

Homeowner's Insurance

An insurance policy that includes hazard coverage for the loss or damage to a property, as well as coverage for personal liability and theft.

Interest Rate

A basic mortgage payment is made up of principal and interest. The principal is the amount borrowed from the lender. The interest rate is the cost of borrowing that money, which is secured by the property. The amount of interest you owe the lender depends on the interest rate and loan amount – the lower the interest rate, the less interest you owe.

Jumbo Loan

Jumbo loans are mortgages larger than the limits set every January by the Federal Housing Finance Agency (FHFA). Current loan limits can be found on the FNMA site at:

<https://www.fanniemae.com/singlefamily/loan-limits>

Loan-To-Value

Loan-to-value (LTV) is the ratio of how much you borrow compared to the value of the home you're borrowing against. (Loan Amount / Appraised Value = LTV)

Margin

The margin is a fixed percentage that a lender adds to the index rate to determine the interest rate on an adjustable-rate mortgage (ARM). This margin remains constant for the life of the loan and, when added to the index rate, determines your overall interest rate. (e.g., if the index rate is 2% and the margin is 2.5%, your interest rate would be 4.5%).

Origination Fees

Loan origination fees are fees charged by a lender to cover the administrative costs of processing a loan. The origination fee is also used in the calculation of the annual percentage rate.

PI Payment (Principal & Interest)

PI (Principal & Interest) are the components of a monthly mortgage payment. Payments are split with a portion going to the principal balance of the mortgage and a portion going toward paying off the interest on the amount borrowed. The payment is typically more towards interest at the beginning of the loan and more towards principal towards the end of the loan.

PITIA (Principal, Interest, Taxes, Insurance, Association Dues)

PITIA (Principal, Interest, Taxes, Insurance, and Association Dues) are the components of a monthly mortgage payment. Payments of principal and interest go directly towards repaying the loan while the portion of the PITIA payments that covers taxes and insurance (flood/homeowner's/mortgage, as applicable) go into an escrow account to cover the associated charges when they are due.

Points

Points are fees you pay when you get a mortgage. Origination Points are fees you pay at closing whereas Discount Credits help reduce your closing costs.

Prepaid Closing Costs

These are the amounts paid at closing prior to being due to establish the escrow account. This includes taxes, homeowner's insurance, flood insurance, private mortgage insurance, and per diem (daily) interest.

Principal

The amount of debt, excluding interest, left on a loan.

Private Mortgage Insurance (PMI)

An insurance policy that protects the lender against default on loans by providing a way for mortgage companies to recoup the costs of foreclosure. PMI is usually required if the down payment is less than 20% of the sale price.

Term

The duration of the life of the loan. For example, a 30-year fixed loan has a term of 30 years.

Title

The title is the actual document that indicates the rights of ownership and possession of the property. Individuals who will have legal ownership in the property are considered 'on title' and will sign the mortgage and other documentation.

Title Insurance

Title insurance is a type of insurance that protects against financial losses and legal expenses that may arise from title defects in real estate. It's a one-time premium paid at closing.

Underwriting

Mortgage underwriting includes a review of the potential borrower's credit and employment history, assets, financial statements, and a full review of the property including but not limited to, condition of the property, appraised value, and title review.



Before You Begin

As your lender, we're here to guide you through the mortgage process. We'll ask a few simple questions to understand your situation better and determine the loan terms and programs that might be most beneficial for you.

Questions You Should Consider:

Monthly Budget:

How much are you comfortable spending on a monthly basis?

Down Payment:

Do you have enough money saved for a down payment?

Length of Stay:

How long do you plan to live in the new home?

Loan Type:

What type of loan best suits your needs?

By having a brief conversation, we can help you better understand how much home you can afford and what to expect during the loan process.

To further assist you in making informed decisions, take advantage of our mortgage calculators. They can provide valuable insights into your potential monthly payments, loan affordability, and more. Scan the QR code or visit: **Calculators - Prosperity Bank** (prosperitybankhomeloans.com)



Our calculators are for informational and hypothetical purposes and are not intended to provide financial advice. You should enter figures that are appropriate to your individual situation. The results provided by these calculators (Home, Investment, Personal, Retirement) are also intended for illustrative purposes only and accuracy is not guaranteed. Prosperity Bank and its affiliates are not tax or legal advisers. These calculators are not intended to offer any tax, legal, financial, or investment advice and do not assure the availability of or your eligibility for any specific product offered by Prosperity Bank, its affiliates, or any other institution, nor does this calculator predict or guarantee the actual results of any investment product. The terms and conditions of products offered by institutions will differ and may affect the calculator's results. Please consult with qualified professionals to discuss your situation. The final APR may differ from the APR in the above calculated results due to additional fees that may be applicable.

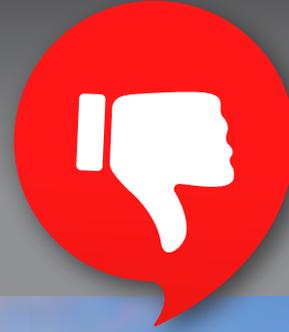
STEPS IN THE Home Buying Process



Home Buying Process Continued

Be sure to follow these do's and don'ts throughout the entire mortgage process (from application all the way to closing and funding), to ensure there is not a change in your approval status.

HOME BUYING DO'S



HOME BUYING DON'TS



THE DO'S

- ✓ Keep payments on ALL accounts current
- ✓ Keep copies of paycheck stubs, bank statements, etc.
- ✓ Keep records of any non-payroll related deposits
- ✓ Notify your mortgage team of any changes in your employment or financial status or situation
- ✓ Contact your loan officer to see if potential new expenditures will impact your credit standing or loan approval

THE DON'TS

- ✗ Change jobs without notifying your mortgage loan officer
- ✗ Switch banks, open new accounts, or transfer your money without notifying your mortgage loan officer
- ✗ Withdraw from your retirement or brokerage accounts without notifying your mortgage loan officer
- ✗ Open new credit accounts without notifying your mortgage loan officer
- ✗ Make large purchases without notifying your mortgage loan officer

UNDERSTANDING THE Financing Process

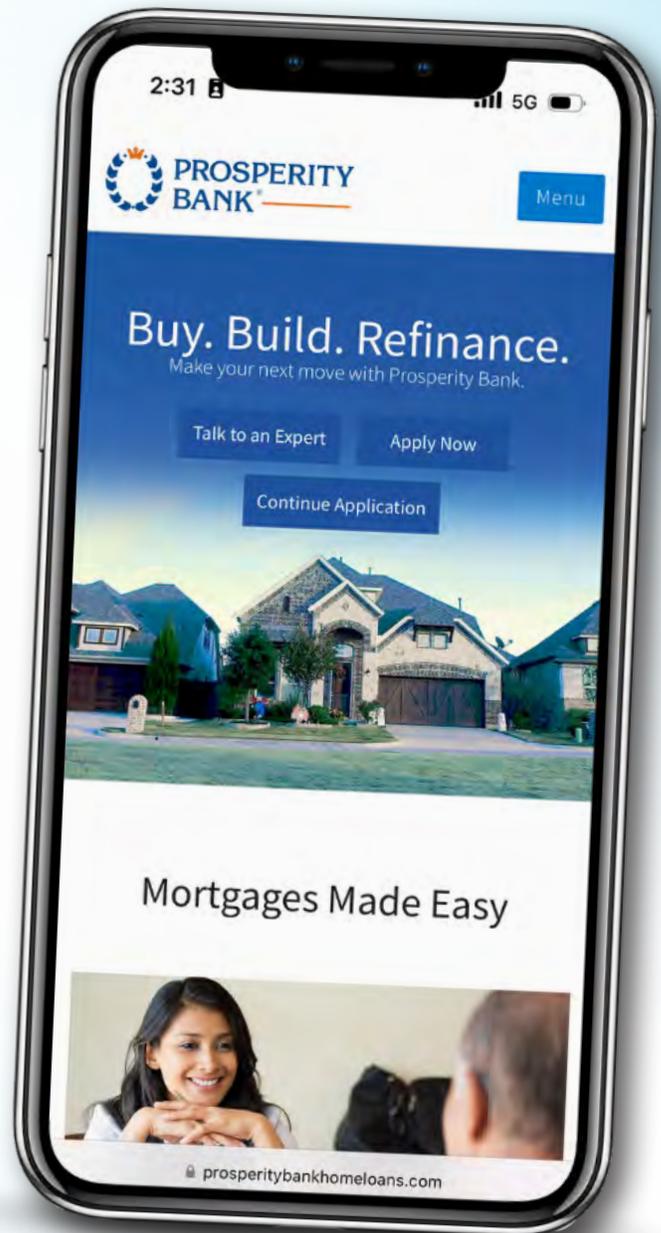
Once you've made a decision to buy, build, or refinance, contact our Mortgage Client Services team at 1-800-657-9500 or apply online with one of our Mortgage Loan Officers directly, submit a full application and upload your documents.

- ✔ Most recent 30 days paystub for all borrowers if applicable
- ✔ 2 years business tax returns and current year P&L statement if applicable
- ✔ Most recent full bank statement from the last 60 days
- ✔ Valid government, state or national issued photo ID
- ✔ 2 years personal tax returns including W2, K1, etc.
- ✔ Full divorce decree if applicable

Throughout the loan process, our mortgage team may request additional documentation. In order to ensure your loan closes on time, please be sure to respond to these requests as quickly as possible.

1-800-657-9500

newhomeloans@prosperitybankusa.com



Your Team of Mortgage Professionals

Mortgage Loan Officer

Your mortgage loan officer will work to select the right mortgage for you. They will take you through the various financing options and make sure you understand the mortgage process.

Processor

Your loan processor will complete a full file review and request any documentation not already provided. They will then proceed to submit your file to underwriting and verify all aspects of your loan.

Appraiser

Your appraiser evaluates the inside and outside of the property, the neighborhood and other factors to determine the value of the property. This is an important step in the approval of your mortgage.

Underwriter

Your underwriter carefully examines all aspects of the mortgage loan and verifies that all pieces of the application, documentation and appraisal are accurate and meet loan guidelines.

Title Company

Your title company ensures the ownership of a property is valid and issues title insurance to protect you against claims on a title. A settlement agent will provide and explain your closing documents with you.

Closer

Your Closer will review the file to prepare the closing documents. They will also provide a closing disclosure (CD) that requires a signature within 24 hours before closing.



Mortgage Loan Milestones

Navigating the mortgage process can be simpler if you understand each milestone.

Here's what to expect at each stage:

During this stage, the loan processor gathers and reviews all necessary documents, such as income statements, bank records, and credit reports. They ensure everything is in order before moving forward.

Loan Processing

Your lender will request an appraisal to determine the market value of the property you wish to purchase. This helps ensure the loan amount is appropriate for the home's value.

Appraisal Requested

Once the appraisal is complete, the report is sent to your lender. They will review the appraised value to make sure it meets the loan requirements.

Appraisal Received

The underwriter carefully examines your financial information and the appraisal report. They assess the risk of lending you money and ensure all loan guidelines are met.

Underwriting

If the underwriter approves your loan with certain conditions, this is called conditional approval. You may need to provide additional documents or clarify information before final approval is granted.

Conditional Approval

When your loan receives a "clear to close," it means all conditions have been met and the lender is ready to finalize the loan. This is the final step before closing on your home.

Clear to Close

After you sign the closing documents, the lender will transfer the loan funds to complete the purchase. Once funded, you officially become the owner of your new home.

Funded

Mortgage Loan Types



Interest Rate
Float Down
Option



Home Buyers
Grant
Program



Construction
Loans

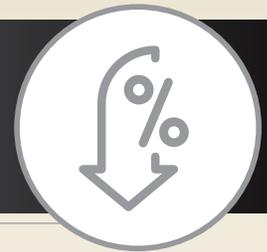


Mortgage
Rate Discount
Disclosure



Loans subject to credit approval. Terms and conditions subject to change without notice. This publication is not a commitment to lend. Restrictions apply. Prosperity Bank NMLS #466414.

Interest Rate Float Down Option



What is it?

If the interest rate for one of our consumer mortgage portfolio products that you previously price protected (locked) goes down before closing on your mortgage loan, you may pay a 0.125% Float Down Fee to lower the interest rate to the current rate.

Fee Details:

- ✔ Float Down Fee: 0.125% of the loan amount.

Example Calculation:

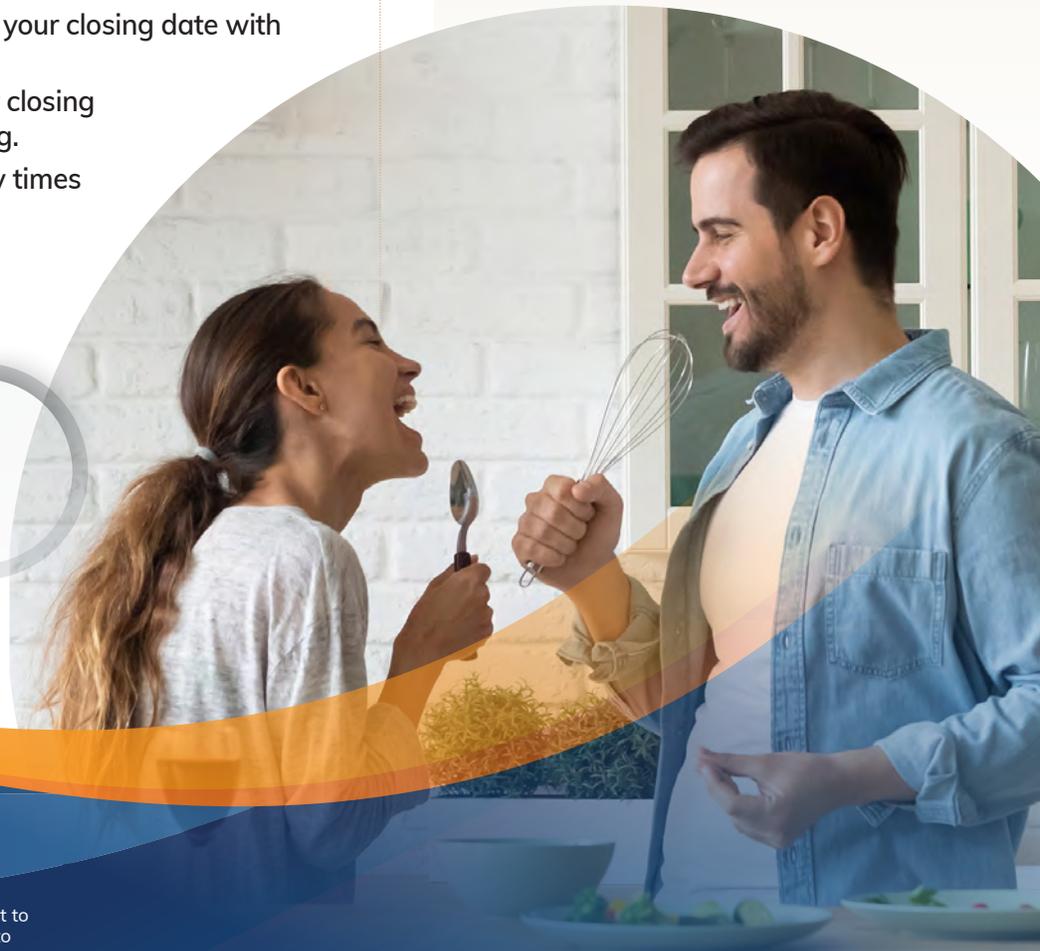
- ✔ Loan Amount: \$100,000
- ✔ Float Down Fee: $\$100,000 \times 0.125\% = \125.00

Important Points:

- ✔ Your original price protection period does not change.
- ✔ You are responsible for monitoring interest rates.
- ✔ Discuss potential impacts on your closing date with your Mortgage Loan Officer.
- ✔ The fee will be added to your closing statement and paid at closing.
- ✔ There is no limit to how many times a loan can be relocked.

Steps to Exercise Float Down Option:

- 1- Monitor interest rates.
- 2- Contact your Mortgage Loan Officer if rates drop.
- 3- Discuss the potential impact on your closing date.
- 4- Pay the Float Down Fee, which will be included in your closing costs.



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Mortgage Rate Discount Disclosure



What is it?

Borrowers can reduce their interest rate by 0.125% (1/8%) on consumer mortgage portfolio products.

Requirements:

- ✔ Auto Debit Setup:
 - Monthly mortgage payment must be auto debited from a qualified Prosperity Bank account.
 - Use an existing Prosperity Bank checking account or open a new one.
 - The account and auto debit form must be set up before loan underwriting.
- ✔ Escrow Account:
 - Establish an escrow account for property taxes and insurance.

Need Help?

Contact your Mortgage Loan Officer for more information about Prosperity Bank's Mortgage Rate Discount offer.



Not available on One-Time Close Construction or Secondary Market loans.

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Home Buyers Grant Program



What is it?

A lender credit for FHA, VA, or USDA primary residence purchase loans to help cover prepaid items and closing costs, including discount points. Cannot be used for down payments or borrower's required minimum investment, and no cash back to borrowers.

Eligibility Requirements:

- ✓ Subject property must be located in the Bank's assessment area and must be located in a majority minority census tract (MMCT*).

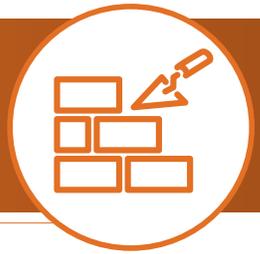
Important Points:

- ✓ Funds can be used for prepaid items and closing costs, including discount points.
- ✓ Cannot be used for down payment or borrower's required minimum investment.
- ✓ No cash back to borrowers.
- ✓ Loan must fund with Prosperity Bank.
- ✓ Prosperity Bank may change or discontinue the program without notice.
- ✓ Grant may be considered miscellaneous income and reportable on Form 1099-MISC or Form 1042-S.
- ✓ Consult a personal tax advisor for questions about the impact on personal income tax returns.



Only available on FHA, VA and USDA primary purchase loans. Qualified borrowers must meet eligibility requirements including, but not limited to, meeting certain qualifying income limitations and purchasing a home within eligible majority-minority census tracts (MMCT) within the bank's designated assessment areas in Texas and Oklahoma. *MMCT means a census tract in which more than 50% of the residents are identified in the U.S. Census as minority. Grant funds may not be used for the down payment or to meet required minimum investment. Grant may be considered miscellaneous income and reportable to the IRS. Consult with a personal tax advisor about impact to your income tax returns. Loan subject to credit approval. Program subject to change without notice. This publication is not a commitment to lend. Other restrictions apply. Prosperity Bank NMLS ID# 466414.

Construction Loans



LOAN PRODUCT:

DESCRIPTION:

Construction Loans

Construction loans are short-term loans that you can use to build a home. This loan has an interest-only period with full principal and unpaid interest due at maturity.

One-Time Close* Construction Loans

These loans allow you to finance both the construction and permanent financing of your home with a single loan process. During the construction phase, you'll typically have an interest-only period, after which the loan converts to a fully amortized term loan, spreading the payments over the remaining term. For more details and to see if this option is right for you, be sure to speak with a loan officer.

5/6 ARM

Our 5/6 ARM is available for the construction of a primary residence and secondary only. The interest rate is initially fixed for a set period, then adjusts periodically for the remainder of the loan term. This option offers flexibility, and a loan officer can help determine if it's the right choice for your needs.



*One-Time Close refers to the construction and permanent loans closing at the same time. Loans subject to credit approval. This publication is not a commitment to lend. Restrictions apply. Prosperity Bank NMLS ID# 466414.



Purchase, Refinance, Home Equity Loans and Home Improvement

Fixed rate conforming and jumbo portfolio loans

Our fixed-rate conforming and jumbo portfolio loans are available with various term options. These loans feature a fixed interest rate and are structured to amortize over the chosen loan term, meaning your payments will stay the same throughout the life of the loan. Speak with a loan officer to explore which option best fits your needs.

Fixed rate conforming and jumbo secondary market loans

Our fixed-rate conforming and jumbo secondary market loans offer stability with a fixed interest rate. These loans are amortized over the chosen loan term, ensuring that your payments remain consistent throughout the life of the loan. A loan officer can guide you in selecting the best term for your needs.

5/6 ARM

Our 5/6 ARM is available for purchasing or refinancing a primary or secondary residence. The interest rate is initially fixed for a set period, after which it may adjust periodically for the remainder of the loan term. This option offers flexibility and can be a good fit depending on your financial situation. A loan officer can provide more details to help determine if it's right for you.

5/15 Home Equity Lines of Credit (HELOC)

Our 5/15 Home Equity Line of Credit (HELOC) offers a minimum loan amount of \$30,000. This line of credit is available in accordance with Texas and Oklahoma State laws where the residence is located. It features interest-only payments for an initial period, with an adjustable rate during that time. After this period, the loan will convert to a fully amortized payment structure with a fixed rate, resulting in a higher monthly payment than during the initial interest-only phase. For more information, please reach out to a loan officer who can walk you through the details.

5/15 Home Equity Lines of Credit-2 (HELOC-2)

Our 5/15 Home Equity Line of Credit (HELOC) offers a minimum loan amount of \$4,000 and a maximum loan amount of \$10,000 with no closing costs. This line of credit is available in accordance with Texas and Oklahoma state laws where the residence is located. It features interest-only payments for an initial period, with an adjustable rate during that time. After this period, the loan will convert to a fully amortized payment structure with a fixed rate, resulting in a higher monthly payment than during the initial interest-only phase. The HELOC-2 loan may afford you the opportunity to use the equity in your home if your primary home is located in a majority minority census tract (MMCT) within the bank's designated assessment areas in Texas and Oklahoma. For more information, speak with a loan officer who will discuss the details further.

HELOC2: HELOC2 loans are exclusively for primary residences within eligible majority-minority census tracts (MMCT) within the bank's designated assessment areas in Texas. *MMCT means a census tract in which more than 50% of the residents are identified in the U.S. Census as minority. The Annual Percentage Rate (APR) is variable and is based upon and will vary with the Prime Rate (the index) as published in the Wall Street Journal. As of May 7, 2025, the variable rate for Home Equity Lines of Credit 2 was 7.5% APR. Rates may vary due to a change in the Prime Rate. The rate will never exceed 18% APR, or applicable state law, or below 6.50% APR. Minimum line amount \$4,000; maximum line amount \$10,000. Credit line may be reduced, or additional extensions of credit limited if certain circumstances occur. Property insurance and if applicable flood insurance is required. Loans are subject to credit approval and program guidelines. Program subject to change without notice. This ad is not a commitment to lend. Other restrictions apply. Prosperity Bank NMLS ID# 466414.



Purchase, Refinance, Home Equity Loans and Home Improvement - Continued

Manufactured Homes with Land

Fixed rate conforming and jumbo loans are available for the purchase of primary and secondary homes. These loans are amortized over the chosen loan term, providing predictable payments throughout the life of the loan. This program is designed to help finance the purchase of manufactured homes with land. For further information please reach out to a loan officer to discuss terms.

HOPP/ITIN (Home Ownership Possibility Program) Loans

This loan product offers a fixed-rate option for the purchase or refinance of a primary residence. These loans are available to ITIN holders or non-U.S. residents with a valid SSN. To qualify, your income must meet certain eligibility criteria, such as being below the median family income for your area or if your home is located in a designated low- or moderate-income or high-minority neighborhood. This program is available in specific areas of Texas and Oklahoma and features fixed rates with payments that remain consistent over the life of the loan. A loan officer can help guide you through the qualifications and benefits of this program.

Loans subject to income and/or other eligibility requirements which may vary depending on property location. Available in Bank's designated assessment areas in Texas and Oklahoma. 97% financing based on lesser of purchase price or appraised value. Maximum loan amount of \$726,200. Maximum loan amount is based on the conforming limit as set by the Federal Housing Finance Agency (FHFA) and is subject to change. Subject to credit approval. Escrow required. Other restrictions apply. Subject to change. This publication is not a commitment to lend Prosperity Bank NMLS ID# 466414

FHA Loans

With FHA loans, you can purchase a home with a low down payment. FHA often accepts lower credit scores than are needed with other types of mortgages. The maximum loan amount for an FHA loan varies by county.¹

USDA Loans

USDA loans provide fixed Rate loan options designed to offer moderate household income residents in eligible rural areas up to 100% financing.¹

VA Loans

These loans provide 100% financing for qualified veterans and are guaranteed by the Department of Veterans Affairs.¹

¹Secondary market loans are sold to an investor after origination of the loan.

We're everywhere you are:

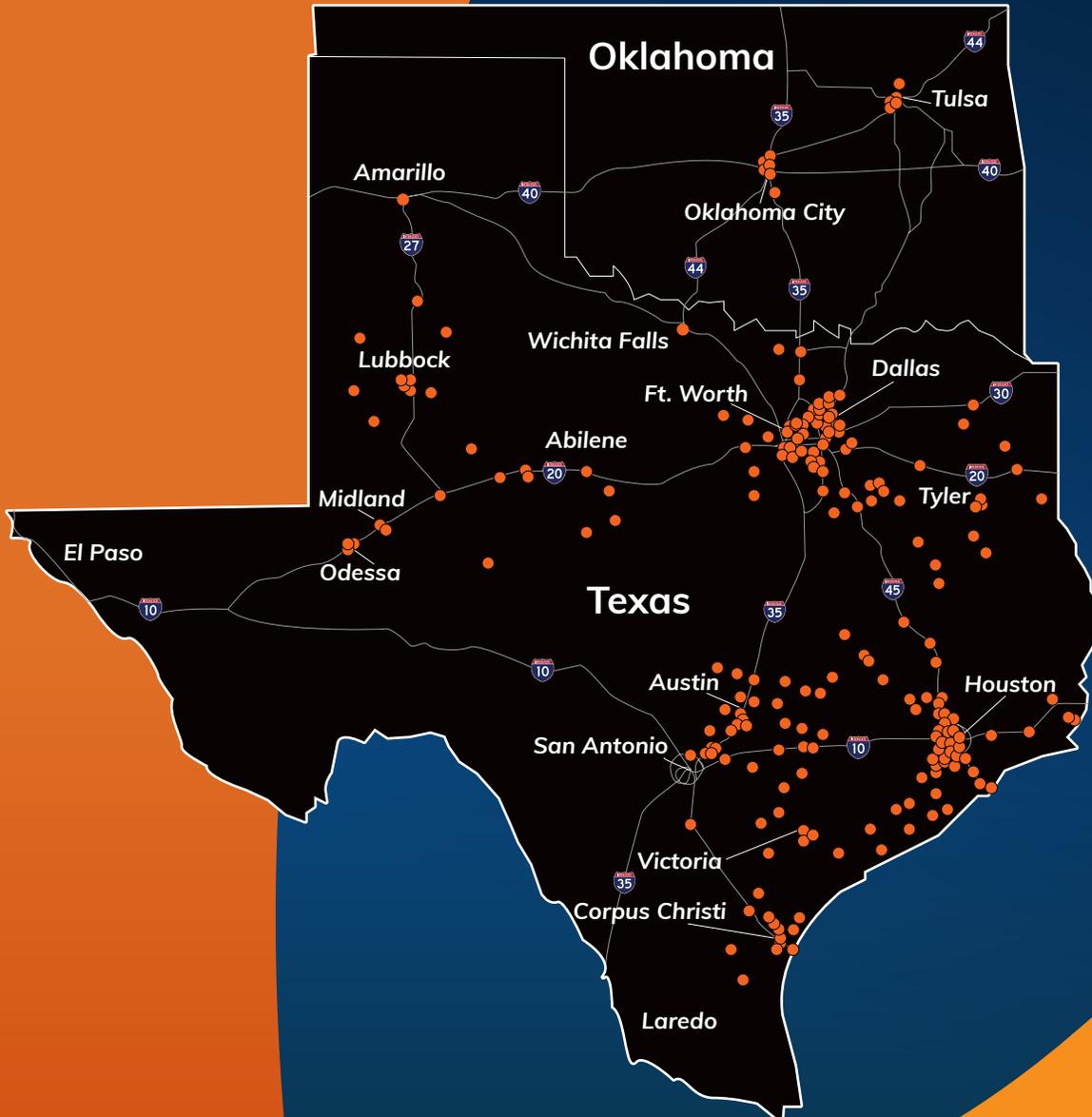
Enjoy expert
service at any
of our

280+

locations that are here
to help you achieve all
your financial goals



**PROSPERITY
BANK®**



Mortgage Client Services

1-800-657-9500

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