

CRAGIN PRESENTS THE BASIC GUIDE TO HOME FINANCING

**"NOW IS THE TIME TO BUY A HOME AT A TERRIFIC PRICE."
—MONEY MAGAZINE**

This year, there's a different mood in the housing market. There's more enthusiasm than there's been in quite some time, and many experts are suggesting that this is a favorable time for residential real estate.

Money magazine's May issue reported some good news for area homebuyers.

For example, the National Association of Realtors' affordability index is at its highest levels since the '70s. What's more, *Money* says Chicagoland is the strongest market in the country, with home prices expected to climb 5.2 percent over inflation between now and 1993.

Time for first-timers? The magazine notes that the current market is hospitable for first-time buyers, citing low mortgage rates, soft prices, and sellers who are willing to make concessions. It's also a good time for those who want to "trade up."

Bottom line: If you've been thinking about entering the housing market for the first time (or the tenth, for that matter), now may be the ideal time. And one thing is for certain: Cragin is where you'll find the ideal mortgage. Our primary business has always been helping people like you buy the homes of your dreams.

"HOW CAN I DETERMINE MY PRICE RANGE?"

Lenders like Cragin look at ratios which measure your total monthly obligations (including the proposed mortgage payment) as a percentage of your monthly income to determine how large a mortgage you can afford.

In general, the total monthly obligation should not exceed 32 percent, and mortgage payments no more than 28 percent. (Percentages are for example purposes only, and do not necessarily reflect the actual percentages used by Cragin.)

Here is an example for a family with \$5,000 gross monthly income, a \$350 car payment, a \$100 student loan payment, and \$150 a month in credit card charges:

Housing Ratio	
Gross monthly income	\$5,000
Maximum percentage	28%
Maximum monthly payment	\$1,400

Total Debt Ratio	
Gross monthly income	\$5,000
Maximum percentage	32%
Subtotal A	\$1,600
Car payment	\$350
Student loan	100
Credit cards	150
Subtotal B	\$600
Subtotal A	\$1,600
Less subtotal B	600
Maximum monthly mortgage payment	\$1,000

Other factors, such as credit history, size of down payment, and job history may affect the percentages which are used. Lenders will often be more liberal if they see you will have ample cash reserves on hand after the home is purchased.

**"GUESS WHERE YOU'LL FIND A TERRIFIC MORTGAGE FOR IT."
—CRAGIN FEDERAL BANK**

"IS IT ALSO A GOOD TIME TO REFINANCE?"

Yes. Refinancing an existing mortgage can reduce monthly payments or shorten the term of the loan (reducing total interest payments). Over the long term, you could save thousands of dollars.

It generally makes sense to refinance if you can save around two percentage points on the interest rate (for example, refinancing an 11 percent loan at 9 percent), and if you can recoup the costs involved (points and fees) within about two years.

For example, a 30-year, \$100,000, fixed-rate loan at 11 percent requires monthly payments of about \$953. At 9 percent, the monthly payment drops to \$805, a monthly savings of \$148. You'd save \$3,552 after two years—far above the loan costs of \$2,800 (assuming 2½ points and \$300 in fees). Even more remarkable, over the life of the loan, your total savings could be as much as \$52,280.

Refinancing can also shorten the term of the loan. A 15-year, \$100,000 mortgage at 9 percent requires monthly payments of \$1,015—only \$62 more a month than the aforementioned 30-year loan. But the shorter term cuts your total payments by \$160,380, and helps you build equity more quickly.

Every situation is different, so call any of Cragin's Regional Lending Centers to

find out if refinancing is a good move for you.

"WHAT MAKES A CRAGIN LOAN SPECIAL?"

Quite a bit, beginning with Cragin's Loan Specialists. They're experts in home financing who want to help you buy your home—and they can help you find the best way to do it.

Our loans offer a lot of other advantages, too. Take our A.R.M.s, for example:

Quick approval. Within seven working days after you apply, you'll know if we approve your A.R.M., and we can close as soon as 30 days afterwards.

Lower points. With a 15-year term, we'll cut closing points by one-half percent.

No floors. Your rate is based upon the National Monthly Median Cost-of-Funds Average, so it can drop when the average goes down.

No time? If you can't come to Cragin, we'll come to you. Call Arlene Frank at (312) 889-5626, and she'll arrange for one of our Loan Specialists to take your application wherever it's convenient for you.

"I'M NOT EXACTLY A ROCKEFELLER..."

Don't assume that a home is out of your reach. You can purchase a home and get a loan with us for as little as 10% down.

Cragin's Loan Specialists can help you determine which loan or program may put you into your new home.

"PLEASE TELL ME MORE!"

Stop by any of Cragin's Family Financial Centers with the card you'll find in this issue of *HomeNotes*, and we'll give you a copy of



"A Consumer's Guide to Home Loans." It's a reference source, workbook, glossary and shopping guide all in one, and it's free!

REGIONAL LENDING CENTERS

- Chicago**
(312) 889-5250
- Schaumburg**
(708) 605-0800
- Park Ridge**
(708) 692-2200
- Wheaton**
(708) 668-3600
- Mt. Prospect**
(708) 457-7850
- McHenry**
(815) 544-4600
- Riverside**
(708) 447-6300

Cragin is an Equal Housing Lender.

