



# HOMEBUYING GUIDE

Intro to the Homebuying Process





ANmtg.com



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A and N App



Banker, Not  
a Broker



Truly Competitive  
Rates



Top 100 Mortgage  
Companies



Access to Vast  
Products and Pricing

## MORTGAGES WITH YOUR FINANCIAL FUTURE IN MIND

A and N Mortgage Services exists to serve you, the homebuyer. A and N believes loans are more than numbers on a page. Loans are about people. A mortgage is not a single transaction, but the start of a lifelong financial relationship. A and N's mission to help people get into homes they can be proud of. Our goal is to continue to build wealth, provide guidance, and give expertise long after all the paperwork has been signed.

With hundreds of mortgage companies promising low rates and competitive pricing A and N's foundation of security, trust and relationship building continues to solidify our brand as a bedrock in the market. A and N is a company with answers, support, and transparency; and it shows. We have been listed as one of the top 100 mortgage companies for five years in a row and have had an A+ credit rating with the Better Business Bureau for ten years and running.

Relationships don't end with our clients. A and N is a direct lender, which means we have the trust of several investors. These investor relationships have lasted over a decade, earning A and N a reputation as a reliant industry leader. The centralized mortgage process and strength in investor relationships allows our homebuyers to have peace of mind.

Residential mortgage loans are about more than money. As an integral part of our services, we take the time to learn about each of our clients, their families, lifestyles, and priorities. With this information A and N develops a unique home financing strategy to meet your specific circumstances and short term and long-term goals. The enclosed packet will help you better understand the home buying process.

At A and N we look forward to not only making this home buying experience a success, but if a better suited program becomes available, we will revisit your financial situation. A and N, mortgages with your financial future in mind.

# HOME BUYING TIPS



## Don't Change Jobs.

This can create complications for loan qualification. A and N Mortgage underwriters will have to reverify employment and gather additional paychecks to secure your financing.



## Don't Switch Banks or Move Your Money.

Moving your money can cause complications in the verification process. New accounts and large deposits in the last 3 months will have to be explained and can delay the closing of your loan. Are you planning on getting a gift, cashing in stocks, bonds or getting a 401k loan for closing? Discuss in advance with your loan officer to prevent any financing delays.



## Don't Make Any Major Purchases.

Don't buy that new car or furniture without speaking to your A and N mortgage consultant. A large payment can affect the amount of home you qualify for and can make it more difficult for your loan to be approved.



## Financing.

To help you find the right amount of financing, it is best to take a moment and calculate the other expenses that will be part of your monthly responsibility. When applying for a loan, your mortgage consultant will add these expenses to your proposed mortgage payment to make sure that you are not taking on too much debt. (Fill out the Budget form on the next page).



## Don't Pull Your Credit Report or Open New Credit Cards.

If you open a new credit card account and use it, your debt to income ratios can be adversely impacted.



## Paying Bills on Time.

In order to ensure that your credit score stays intact pay your bills on time. Auto pay may be a great idea, just make sure you always have enough money to cover the payment in the account you are using.

# CREATING A BUDGET

Creating a budget will assist you in figuring out how much you can afford.



Car Payment:

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Student Loan:

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Household Utilities:

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Child Support:

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School Tuition:

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Health Club Membership:

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Homeowners Insurance:

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Groceries:

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Cell Phone:

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Internet Service:

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Cable/Satellite Dish:

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Entertainment:

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Credit Card Payment:

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Other Expenses:

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Total:

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This number added to your total monthly mortgage payments (with escrows, insurance, assessment) should be lower than 50% of your gross monthly income.

# ADVANTAGES OF PRE-APPROVAL

Pre-approval gives you a head start in your home buying process.

## The Realtor Advantage.

When you're pre-approved, your realtor is able to submit your offer with confidence. Pre-approval will ensure that the deal will close smoothly and helps create a stronger relationship for all parties involved.

## The Buyer Advantage.

Having a pre-approval prior to looking at properties allows you to focus on finding a home rather than securing your financing.

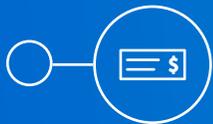
## PRE-APPROVAL CHECKLIST:



The previous two (2) years' complete tax returns (All pages).



The previous two (2) years' W-2.



30 days of most recent pay stubs.



The previous two (2) months bank statements and most recent asset verification.



Driver's license.

# OUR PROGRAMS

PROGRAM	LOAN CHARACTERISTICS	BEST FOR BORROWERS WHO
<p>10, 15 or 30 year fixed rate</p> <hr/>	<ul style="list-style-type: none"> <li>• Same rate and payment for duration of 10, 15 or 30 year term.</li> </ul> <hr/>	<ul style="list-style-type: none"> <li>• Plan to live in property for 10 years or more and want total payment stability.</li> </ul> <hr/>
<p>5, 7, 10, 15 year adjustable rate (arm)</p> <hr/>	<ul style="list-style-type: none"> <li>• Lower interest rate and monthly payment remain the same for 5, 7, 10, 15 years.</li> <li>• Starting the 6th, 8th, 11th, or 16th year, the rate will adjust per specified program.</li> </ul> <hr/>	<ul style="list-style-type: none"> <li>• Plan to live in property for 5, 7, 10, or 15 years, want payment stability and can accept changes later. <b>OR</b></li> <li>• Plan to move within 5, 7, 10, or 15 years and want loan to remain in place when change occurs.</li> </ul> <hr/>
<p>FHA</p> <hr/>	<ul style="list-style-type: none"> <li>• Pay PMI up front and monthly for the duration of the loan.</li> </ul> <hr/>	<ul style="list-style-type: none"> <li>• Are first time home buyers who have down payment with as little as 3.5%.</li> </ul> <hr/>
<p>VA Loan</p>	<ul style="list-style-type: none"> <li>• VA Funding Fee which can be financed into the mortgage.</li> <li>• No monthly PMI.</li> </ul>	<ul style="list-style-type: none"> <li>• Must be a veteran.</li> <li>• Primary residence only.</li> <li>• Zero down payment with low interest rate.</li> </ul>

# THE LOAN PROCESS

## Call A and N Mortgage to get Pre-Approval for Your Loan.

The application process begins once you've explored properties and found your new home. Your documentation will be submitted by your A and N mortgage consultant.

An appraiser will determine the value of the property you wish to buy. A title policy will be ordered by the seller's attorney to ensure that the property is clear of liens and unpaid taxes.

## The Closing.

The seller's attorney will coordinate with your attorney and mortgage consultant to schedule a closing. The appropriate loan documents will be sent to the title company for you to sign.

A and N Mortgage will make sure that your loan is ready when you are.

## Set Aside Extra Time.

While A and N Mortgage streamlines the loan process and is on time. Do not plan anything, especially movers, too soon after your closing unless you have an alternate person who can supervise your move.



Pre-Approval



Closing Process



Extra Time

# UNDERSTANDING YOUR CREDIT

## WHAT'S IN YOUR SCORE?

Credit scores are calculated from a lot of different credit data in your credit report. This data can be grouped into the following five categories.

### Payment History (35%)

Detailed account payment information such as credit cards, retail accounts, installment loans and mortgages.

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### Accounts Owed (30%)

This is made up of account balances, proportion of credit lines used and proportion of loan amounts still owing.

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### Length of Credit History (15%)

Detailed account payment information such as credit cards, retail accounts, installment loans and mortgages.

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### New Credit (10%)

The number of recently opened accounts, credit inquiries, time since recent account opening and re-establishment of positive credit history following past payment problems.

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### Types of Credit (10%)

The number of various types of accounts you have (credit cards, retail accounts, installment loans, mortgage, consumer, finance, etc.).

## HOW TO IMPROVE YOUR SCORE

It takes time to fix your score because there is no quick fix. The best plan is to manage your credit responsibly over time.

It is important to stay current and pay your bills on time. Paying off a collection does not remove it from your credit report. If you are having trouble making payments, contact your creditors.

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Pay off your debt instead of moving it from one credit card to another, and keep balances low. Don't close unused credit cards as a short term strategy to raise your score or open a number of credit lines you don't need.

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Don't open a lot of new accounts rapidly if you have been managing credit for a short time. New accounts will lower your average account age and can look risky if you are a new credit user.

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Do your rate shopping for a given loan within a focused period of time. If you make inquiries casually, it will look as though you are searching for many credit lines rather than obtaining research for one line.

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Apply for and open new credit accounts only as needed. Have credit cards, but manage them responsibly. Closing an account doesn't make it, or any bad history with it, go away.

# EXPLANATION OF LENDER AND CLOSING FEES\*

## LENDER

### Application

An application is filled out at this time and a credit report is ordered. This cost allows your mortgage consultant to research and acquire the best rate and program for you.

### Appraisal

This is payment for the appraiser who will assess the value of your home based on other similar properties in the neighborhood.

### Processing

This cost begins your loan process; your mortgage consultant begins to collect financial documents to be submitted to underwriting such as W2's, bank statements and proof of assets.

### Administration

This fee allows the lender to carry the loan from closing until completion of sale to the investor.

### Underwriting

This fee pays the underwriters for reviewing your documentation and approving your loan.

### Tax Service

This fee allows your lender to access your property tax information and ensure that your taxes are paid up to date.

## TITLE AND CLOSING

### Title Insurance

This fee pays for the title search on the property, which insures ownership of the property, examines current and past tax payments and reveals any existing liens on the property. For a purchase it is standard that the seller's attorney orders this, which means that the title fees cannot be confirmed until your mortgage consultant receives an estimate.

### Closing

This fee is for the title company to notarize your loan papers at the closing table, file the documents that need to be recorded, and prepare the closing statement which tells you the details of your transaction.

### City of Chicago Transfer Stamps

7.50/1000 The buyer is responsible for \$7.50 per thousand of sale price of property. For instance, a \$300,000 sale price will require \$2250 for city transfer stamps.

### Attorney

Attorney fees do not typically exceed \$900 on residential property. This fee can be paid to the attorney directly or from proceeds of closing. Your attorney will inform you.

\* These payments will be finalized in the Loan Estimate document supplied by your lender. The title and closing fees vary by title company in which you are closing.

# INCOME TAX DEDUCTIONS



*“Can I deduct my monthly payments’ sum for the year on my income taxes?”*

You can only deduct the interest portion of your payment. This includes interest paid on mortgages to buy, build or substantially improve your first or second home. Money paid to principal cannot be part of your deduction.



*“Who gets the deduction when we file our taxes separately?”*

A taxpayer can deduct interest he or she pays on a mortgage if the taxpayer is the legal or equitable owner of the property. In the marital setting, ownership rights and tax treatment when filing separately can get complicated. If a home is owned jointly, each spouse can deduct half the interest payments.



*“Can I deduct my homeowner’s association assessment?”*

No. This payment which includes insurance on the building as well as general maintenance for common areas is not an income tax deduction.



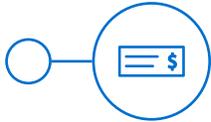
*“How do I know if I’m eligible for a real estate tax deduction?”*

If you pay real estate taxes on property you own, your real estate taxes are fully tax deductible, whether they are imposed by state, county, city, township, or some other local government body. As co-owners, you can deduct the amount paid in half. If you pay taxes for someone else (such as a relative) for property you do not own, you do not get that deduction.

\* The information provided should not be considered tax or legal advice, and consultations with those professionals about your specific situation is advised.

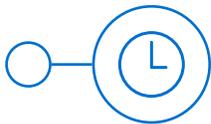
# CLOSING CHECKLIST

Use this checklist to insure a smoother closing process.



## Reference Your Loan Estimate (LE) and Closing Disclosure (CD) for the Final Amount to Bring to Closing.

You will need certified funds for your down payment, typically if the funds are greater than \$50,000 you will need to send a wire. Ask your attorney whom to send the wire or make the cashier's check payable to.



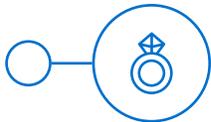
## Know Where and When Your Closing is Taking Place.

Write down the time of your closing, address of the title company and their phone number. You will be able to notify them if you are running late.



## Bring Identity.

You must have at least one form of picture identification such as a driver's license, state ID or passport in order to close. Please make sure that your identification has not expired.



## Don't Forget Your Spouse.

Many people plan to sign their documents on behalf of themselves and their co-owner. This can only be done in extenuating circumstances with a Power of Attorney document stating that the non-present owner gives the signing borrower this privilege.

# MORTGAGE GLOSSARY

## A

### Adjustable Rate Mortgage (ARM)

Mortgage loans under which the interest rate is periodically adjusted as agreed to at the inception of the loan.

### Amortization

The systematic and continuous payment of an obligation through installments until the debt has been paid in full.

### Annual Percentage Rate (APR)

The total yearly cost of a mortgage as expressed by the actual rate of interest paid. The APR includes the base interest rate, points, and any other add-on loan fees and costs. As a result, the APR is invariably higher for the rate of interest that the lender quotes for the mortgage but gives a more accurate picture of the likely cost of the loan. Keep in mind that most mortgages are not held for the full 15 or 30 year terms, so the effective annual percentage rate is higher than the quoted APR because the points and loan fees are spread out over fewer years.

### Bridge Loan

An equity loan secured to solve short-term financing problems. You may hear this term however this is an uncommon program.

### Conforming Loan

As of 2022, a loan for up to and including \$647,200 in the continental United States (Alaska and Hawaii limits are higher).

### Debt-to-Income Ratio (DTI)

The ratio or aggregate monthly debt to aggregate monthly income.

### Fixed Mortgage Rate (FRM)

A mortgage where the interest rate doesn't change through life of loan.

### Gift Letter

A letter or affidavit indicating that part of a borrower's down payment is supplied by relatives in the form of a gift and that the gift does not have to be repaid.

### Joint Tenancy

A form of ownership or taking title to property in which each party owns the whole property and ownership is not separate. In the event of death of one party, the survivor owns the property in its entirety.

## B

## C

## D

## F

## G

## J

# MORTGAGE GLOSSARY

## L

### Jumbo Loan

Check each state for the loan limits. These limits are set by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. Because jumbo loans cannot be funded by these two agencies, they usually carry a higher interest rate.

### Loan Estimate

A federal law that requires lenders to fully disclose, in writing, the terms and conditions of a mortgage, including the annual percentage rate (APR) and other charges.

### Loan Servicing

The tasks a lender performs to protect a mortgage investment, including collecting monthly payments from borrowers and dealing with delinquencies.

### Loan-to-Value Ratio (LTV)

The relationship between the dollar amount of a borrower's mortgage loan and the value of the property.

### Negative Amortization

Occurs when a borrower makes a minimum payment that may not cover the interest that is due. Loan balance then increases as a result.

### Non-Conforming

A mortgage amount that exceeds that which is eligible for purchase by FNMA or FHLMC. All loans above this amount are considered to be non-conforming or jumbo loans.

### Origination Process

Process in which a lender solicits business, gathers required info and commits to loan money, for the purchase of real estate.

### Private Mortgage Insurance (PMI)

Paid by borrower to protect lender in case of default. PMI is typically charged to borrower when loan-to-value ratio is greater than 80%.

### Pre-Approval

A term used to mean that a borrower has completed a loan application and provided debt, income, and savings information that has been reviewed and pre-approved by an underwriter.

## N

## O

## P

# MORTGAGE GLOSSARY

Q

## Prequalification

After a loan officer has made inquiries about a borrower's debt, income, and savings, he or she can write a statement about the borrower's chances for qualifying for a home loan.

## Qualifying Ratios

Calculations that are used in determining whether a borrower can qualify for a mortgage. There are two ratios. The "top" or "front" ratio is a calculation of the borrower's monthly housing costs (principal, taxes, insurance, mortgage insurance, homeowner's association fees) as a percentage of monthly household income. The "back" or "bottom" ratio includes housing costs as well as all other monthly debt.

## Quitclaim Deed

A deed that transfers without warranty whatever interest or title a grantor may have at the time the conveyance is made.

## Rate Lock

A commitment issued by a lender to a borrower or other mortgage originator guaranteeing a specified interest rate for a specified period of time at a specific cost.

## Tenancy-in-Common

As opposed to joint tenancy, when there are two or more individuals on title to a piece of property, this type of ownership does not pass ownership to the others in the event of death.

## Tenancy-in-Entirety

Most similar to joint tenancy, this form of ownership is only available to married couples and provides extra protection to marital property. A home held as "tenants by the entirety" may only be reached by creditors of joint debts, not creditors of just one spouse or the other. In the event of death of one party, the survivor owns the property in its entirety.

## Underwriting

The process of evaluating a loan application to determine the risk involved for the lender. It involves an analysis of the borrower's ability and willingness to repay the debt and the value of the property.

R

T

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