

# HOME BUYER'S FINANCIAL WORKSHEET

This worksheet is designed to help potential homebuyers answer two questions: How much you should save and how much you can spend. The first section on saving is intended for first-time buyers to get an idea of what it will take to save for a down payment and closing costs. First-time buyers should complete both sections. At the end of the first section, you will use the amount you determined in the second section and the amounts you determined in the first section to calculate your savings goals.

**NOTE:** This worksheet will only give you an idea of what you can afford. You must consult a mortgage lender for an official estimate.

## I. THE AMOUNT YOU CAN SPEND

How much money do you make each month before taxes? \$ \_\_\_\_\_

How much money does your spouse or partner make each month? \$ \_\_\_\_\_

Add these two numbers together TOTAL \$ \_\_\_\_\_

This is your "gross monthly income"

How much do you currently pay each month for:

Rent/Mortgage \$ \_\_\_\_\_

Electricity \$ \_\_\_\_\_

Gas (your heating/cooling bill) \$ \_\_\_\_\_

Water and sewer service \$ \_\_\_\_\_

Telephone service \$ \_\_\_\_\_

Cable/satellite service \$ \_\_\_\_\_

Renter's or homeowner's insurance \$ \_\_\_\_\_

Property taxes \$ \_\_\_\_\_

Add these numbers together TOTAL \$ \_\_\_\_\_

This is your "monthly housing cost"

Multiply your gross monthly income by 28% (.28)

\_\_\_\_\_ x 0.28 = \$ \_\_\_\_\_

This figure is called your "housing expense ratio"

What do you pay each month for the following items?

Car loans or leases \$ \_\_\_\_\_

Student loans \$ \_\_\_\_\_

Credit-card balances \$ \_\_\_\_\_

Other monthly debt payments \$ \_\_\_\_\_

Add these numbers together TOTAL \$ \_\_\_\_\_

Now add the monthly housing cost you calculated already \$ \_\_\_\_\_

TOTAL \$ \_\_\_\_\_

This figure may be referred to as your "total monthly debt"

Multiply your total monthly debt by 36% (0.36)

\_\_\_\_\_ x 0.36 = \$ \_\_\_\_\_

This figure is called your "total debt-to-income ratio"

The lender will use these ratios to figure out what it thinks you can afford to pay each month and to calculate what dollar amount it will lend you.

The total dollar amount will depend on the size of your down payment, what kinds of mortgage you qualify for and other factors.

This worksheet does not include any consideration for the interest you will be paying. Your mortgage lender can give you an estimate of what the interest will be based on the rates being offered.

## II. THE AMOUNT YOU SHOULD SAVE

### Monthly Income

What is your monthly take-home pay? \$ \_\_\_\_\_

What is your spouse's or partner's monthly take-home pay? \$ \_\_\_\_\_

How much money do you receive each month from other sources? \$ \_\_\_\_\_

How much have you and your spouse or partner already saved? \$ \_\_\_\_\_

TOTAL \$ \_\_\_\_\_

### Monthly Bills and Expenses

Do you have spousal or child support obligations? What are they? \$ \_\_\_\_\_

How much is your monthly rent? \$ \_\_\_\_\_

What is your monthly car payment(s)? \$ \_\_\_\_\_

What is your current student loan payment(s)? \$ \_\_\_\_\_

What is your total monthly payment for all of your credit cards? \$ \_\_\_\_\_



# **BUYING AND SELLING TERMS**

**ABSTRACT OF TITLE:** A summary history of the legal title to property. This document shows changes of title, records of liens and encumbrances.

**APPRAISAL:** An estimate of the value of a property by a professional.

**ASSUMABLE MORTGAGE:** A loan in which the remaining payments on an existing mortgage can be assumed by a new buyer.

**CLOSING COSTS:** These are the charges in addition to the price of the home paid at the settlement to obtain a mortgage loan and transfer the real estate title.

**CLOSING DAY:** This is the date which the title to the property passes from the seller to the buyer and the day when the borrower signs the mortgage loan agreement.

**EARNEST MONEY:** A deposit that is offered by the seller to demonstrate that the buyer is serious about the purchase.

**EASEMENTS:** Right-of-way granted to persons or companies to have access to the owner's land.

**EQUITY:** The value in excess of all indebtedness against the property.

**ESCROW:** An amount of money or property granted to somebody but held by a third party and only released after a condition has been met.

**FHA (Federal Housing Administration):** This federal agency established by Congress in 1934 insures mortgage loans made by FHA-approved lenders on homes that meet the standards.

**INTEREST:** The cost paid by a borrower for use of money borrowed to purchase a home.

**MORTGAGE:** An agreement by which somebody borrows money from an organization and gives that organization the right to take possession of property given as security if the loan is not repaid.

**MORTGAGE COMMITMENT:** A formal written communication by a lender, agreeing to make a mortgage on a property, specifying the loan's amount, length of time and conditions.

**MORTGAGEE:** The lender who has agreed to lend money to the mortgagor.

**MORTGAGOR:** The homeowner (borrower), who has agreed to repay a mortgage loan to the mortgagee.

**POINTS:** A point is a charge of one percent of the mortgage value. Points are a one-time charge from the lender to increase the interest yield from the mortgage loan to a position competitive with the interest yield from other types of investment.

**PRINCIPAL:** The amount of money borrowed in a mortgage loan that does not include interest.

**SALES CONTRACT:** The contract between the buyer and the seller.

**SETTLEMENT EXPENSE:** These costs include insurance and tax payments, special assessments for improvements to municipal facilities and sales commissions. These are due at closing.

**SURVEY:** On-site measurement of lot lines, dimensions and the position of the house on the lot. This also includes any possible encroachments or existing easements.

**TITLE INSURANCE:** Insurance against the risk that a title to a property is not valid.

**TITLE:** Evidence of a person's legal right to the ownership of property, usually in the form of a deed.

**TITLE SEARCH or TITLE GUARANTY:** An investigation into the origin and validity of a title to a property, usually undertaken by the buyer before purchase.

**VA (Veterans' Administration):** A federal agency which in 1944 established a loan guaranteed program to give mortgages to honorably-discharged veterans or their widows.

**ZONING:** Classifications on real property for varying uses.