HOMEBUYER'S GUIDE

Helping you navigate the path to homeownership

DuPont Community CREDIT UNION

YOUR GUIDE ON THE PATH TO HOMEOWNERSHIP

DuPont Community Credit Union (DCCU) has helped thousands of people, just like you, work through the process of purchasing a home. We've put together this Homebuyer's Guide to help you get a little more familiar with how purchasing a home works in today's market here in Virginia.

Whether you are an experienced homebuyer or if this is your first time, a little knowledge can go a long way with helping you understand what will be coming your way, as well as the changes that may have occurred since your last move. In the end, take comfort in knowing that your credit union is working hard on your behalf from start to finish, both alongside you and behind the scenes. It is our sincerest hope that you can move forward confidently to the new place you will soon call home.

This guide is set up with six sections to assist you with navigating the major steps in the home buying process.

You'll find a number of notes throughout the guide in the form of helpful tips, definitions of key terms, and tools to ensure you're in the best position to make a smart buying decision. At the end of this guide, you will find three helpful worksheets that will help you prepare for homeownership.

Whether you are ready to buy or just thinking about it, it's never too early to start talking to one of our Mortgage Advisors. Just as a good real estate professional will help you avoid underbidding or overpaying, a savvy Mortgage Advisor will ask about your plans and situation, give you straightforward information about your home financing options, and make sure you have the facts you need to make an informed decision. In fact, the earlier you make an appointment with DCCU, the more prepared you'll be as you start your journey toward homeownership.

We're Here for You

Visit **mydccu.com/dccumortgage** or give us a call at **540.946.3200**

EQUAL HOUSING OPPORTUNITY

Offers of credit subject to creditworthiness and collateral. Terms, restrictions and fees apply. For complete credit costs and terms visit mydccu.com or call us. Membership required.

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1 BENEFITS OF OWNING A HOME

Risks & Rewards

Homeownership is an immense reward, but also carries a number of risks. When you weigh all of the variables, you can feel more confident that the timing is right to buy a home.

RISKS

MAINTENANCE

You are responsible for the cost of repairs and upkeep to your home and property.

MARKET VALUE

The value of your home can vary based on market conditions, meaning it can gain or lose value over time.

FORECLOSURE

If you do not make your monthly payments you can risk losing your home.

REWARDS

A PLACE TO CALL YOUR OWN

You may be ready to settle down in a specific community, need more space for your family to grow, or want the freedom to build the home you've always envisioned.

INVESTMENT

When you're paying rent, the money you spend every month is building value and equity for the owner at your expense. Owning a home is an investment in your financial future as your home's value increases and your principal decreases.

HOUSING COSTS

While rent can increase year over year, the principal and interest of a fixed-rate mortgage payment remains unchanged for the entire repayment period. As your income increases, your **mortgage** payments become more affordable.

TAX BENEFITS

Rent is generally not tax-deductible, but mortgage **interest** may be. Homeowners usually are eligible for significant tax advantages* not available to renters.

Check with your tax advisor.

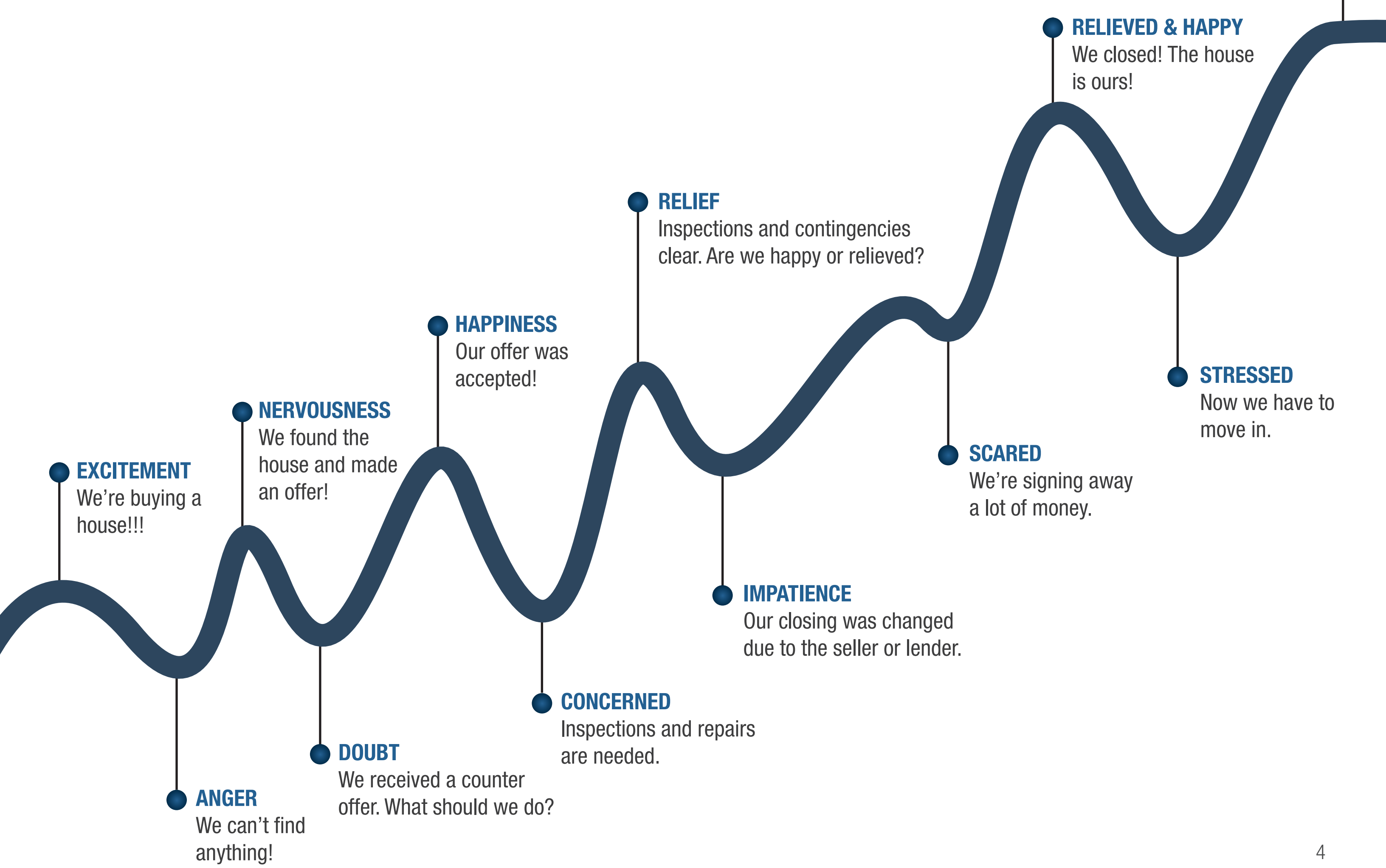
Terms

Mortgage
An agreement used to pledge a home or other real estate as security for a loan.

Interest
The portion of your mortgage payment you pay to the lender for using the lender's money. Together, the principal and interest payment is referred to as "P&I."

2 THE HOMEBUYER JOURNEY
Emotional Path of Homeownership

You are about to embark on one of the most satisfying, and at times, stressful journeys you will ever face in life – buying a home. However, after all of the dust has settled, the walls are painted, and the last picture is hung on the wall, having a place to call your own will make the work you put in up front well worth it. To give you an idea of some of the ups and downs you may experience throughout this process, we've created the following timeline highlighting what you can expect. Not to worry, your DCCU Mortgage Advisor will be with you every step of the way.



GETTING STARTED

BUDGET

Before you start looking for a new home, you need to have a good idea of what you can afford. When looking over your budget, keep in mind that your mortgage will not be the only expense you will have. You will need to consider other monthly installment payments and expenses.

DOWN PAYMENT

Having money saved for a down payment can help you successfully start the mortgage process. Many lenders require you to put some money down when taking out a mortgage loan. Having funds available for a **down payment** opens up more options for home financing. A 10% – 20% down payment is ideal, but often not necessary. There are loan programs that allow for little to no money down. It is helpful to determine the percentage you want to save, and set deadlines for when you want to have the money available. It is a best practice to set up an account you can use exclusively for saving money toward your down payment, as well as setting aside 3 – 6 months living expenses to avoid using your down payment funds to cover unforeseen expenses.

CREDIT CHECK

Your credit report is an ongoing look at how you manage your finances. It is important you know what's on your credit report before you apply for a mortgage loan. You can request a free copy of your credit report from each of the three credit reporting agencies by accessing **www.annualcreditreport.com**. Once you review your credit report, dispute any discrepancies by contacting the credit reporting agencies. More importantly, don't take out any forms of credit prior to applying for your mortgage.

Know the Numbers

Your mortgage payment should not exceed 28% of your gross monthly income.

MORTGAGE

There are several mortgage options available. Once you have a solid plan on how to financially manage the purchase of your new home, your DCCU Mortgage Advisor will help you select the best product based on your plans, goals, and current financial situation. For example, a low monthly payment may be most important to you, or paying off your loan as quickly as possible may be your primary goal.

PRE-APPROVAL

Your DCCU Mortgage Advisor can help you get pre-approved for your mortgage at an amount that is right for you. This will help you to determine an appropriate price range while shopping for your next home.

Terms

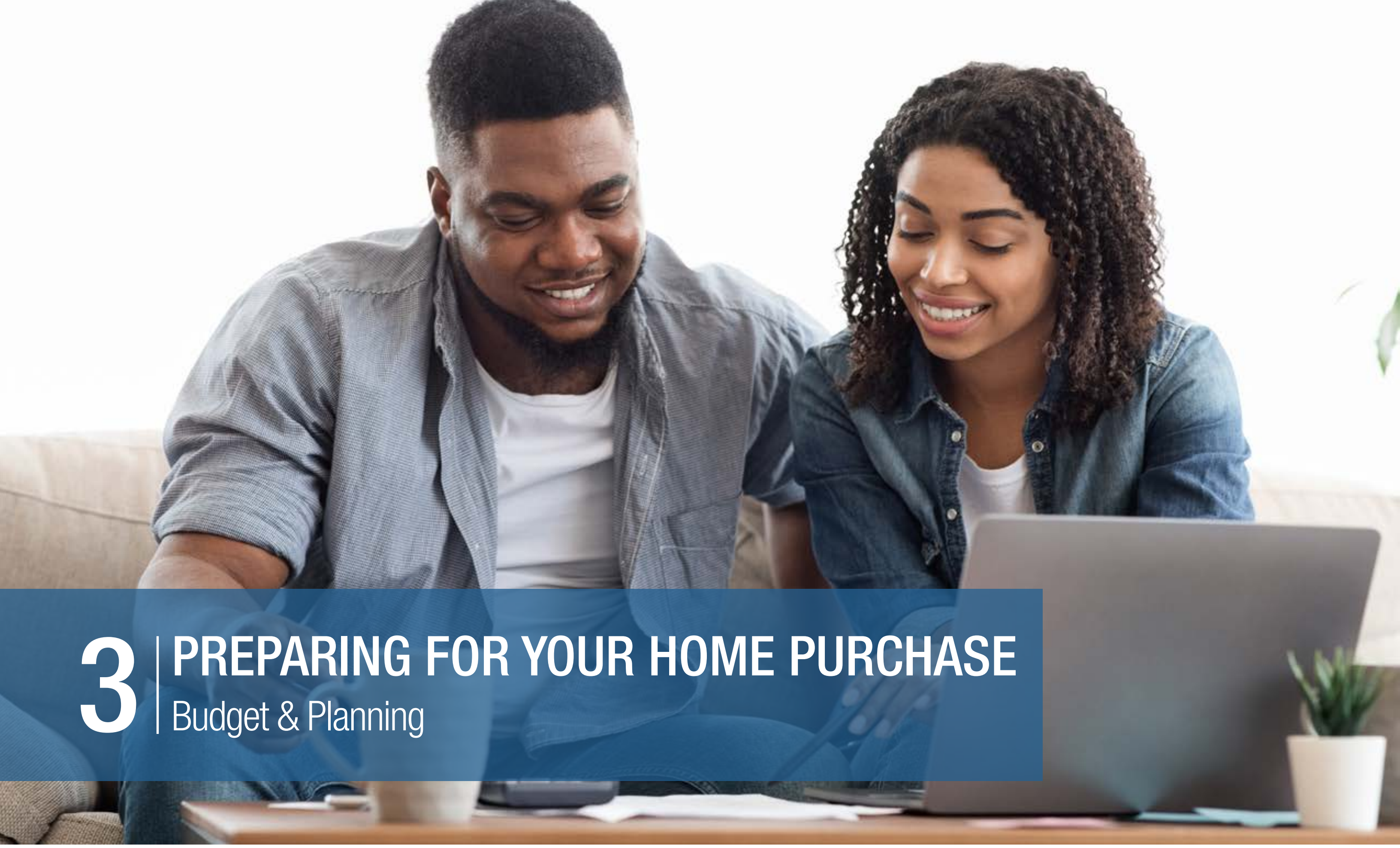
Down Payment
Equal to the difference between the sale price of the real estate and the mortgage amount.

Principal
The portion of your payment used to repay part of your remaining balance on your loan excluding interest.

Mortgage Payments
A typical payment consists of principal + interest + escrows.

Escrows
The portion of your mortgage payment collected by the lender that is deposited into an escrow account to pay the annual real estate taxes, homeowner's hazard insurance premiums, and where applicable, mortgage insurance premiums or flood insurance.

Pre-approval
Your lender takes a much closer look at your financials. You supply documents such as tax returns, W-2s, pay stubs and account statements, and authorize a credit check. An underwriter reviews everything except a property appraisal and will pre-approve you for a mortgage at an amount that is based on a full credit approval. A pre-approval can speed up the process of obtaining the final approval once you sign a purchase contract. Note: DCCU does not charge for a pre-approval; however some lenders may charge a fee.



3 | PREPARING FOR YOUR HOME PURCHASE
Budget & Planning

ARE YOU READY FOR THE ROAD AHEAD?

When making an investment like purchasing a home, there are a number of variables to consider. Your current lifestyle is based on the spending and saving habits you've developed over the last few years. Consider what adjustments you may need to make to your spending and saving habits, and more importantly, take into consideration how owning a home aligns with your long-term plans.

Debt-to-Income Ratio

DTI ratio is based on pre-tax dollars; the amount you spend on housing and other debts.

CAN YOU AFFORD WHAT YOU WANT?

The first thing you'll need to consider is a realistic budget that supports the lifestyle you plan to have after you purchase your new home. Make sure you understand whether or not you can afford the upfront and ongoing expenses associated with homeownership. Some people choose to develop a plan to save money to buy a home, or for other financial goals such as retirement or education expenses, before they begin shopping for a new home.

Debt-to-income ratio (DTI) is used to determine the maximum loan amount for which you may qualify. The Bureau of Consumer Financial Protection (BCFP) recommends paying less than 43% of your gross monthly income on recurring debts like your housing expense, credit card, car loan, or personal loan payments. Some lenders and loan programs may allow lower or higher DTI ratios. Your DCCU Mortgage Advisor can help you better understand the details of DTI for your situation.

DO YOU KNOW THE FULL COST OF OWNING A HOME?

There are a number of one-time expenses that go into the total cost of owning a home. Consider things such as a down payment, **closing costs** and moving expenses, plus monthly expenses like your mortgage payment, as well as fees and dues if you plan to live in a condominium or will belong to a Homeowners' Association. Also consider are utilities, interior and exterior repairs, and general upkeep. Lastly, if you are selling a home while trying to purchase and move to a new home, you may need to make repairs or renovations to increase the value of your existing home, as well as pay **real estate agent** commissions. Don't worry, millions of people buy and sell home each day, and your DCCU Mortgage Advisor can help you work through a number of these questions when you're ready to get started.

WHAT CAN IMPACT YOUR APPLICATION FOR A MORTGAGE?

Now that you know how much can afford, it is important to get pre-approved so you can begin looking for your new home. There are specific requirements that you must meet in order to be approved for a mortgage loan. The team at DCCU will review your financial information to determine how well you managed repaying your debts and your ability to manage the increased financial responsibility of buying a home. There are six important components that can impact your credit approval. These areas help DCCU ensure you're not taking on more than you can financially handle.

Make a Realistic Budget

Use the Budget Worksheet at the end of this workbook to calculate what you can afford.

Max Loan Amount

Use the Max Loan Amount Worksheet found at the end of this workbook to determine the amount of money you should borrow to purchase your new home.

Terms

Closing Costs
These fees are paid to close the loan. They include loan costs such as origination fees, discount points, title insurance fees, survey fees and attorney's fees. If applicable they can also include government fees, prepaids, initial escrow payment at closing, as well as Homeowner Association dues.

Real Estate Agent
Licensed to sell real property, acting as an agent for others.

APPROVAL CONSIDERATIONS

1. **INCOME**
   Do you have enough monthly income to pay your existing debts and your new mortgage?

2. **STABILITY**
   Do you receive enough income regularly?

3. **CREDIT HISTORY**
   How have you handled your other credit obligations?

4. **CHANGE IN HOUSE PAYMENT**
   Is there a large increase from your current house payment compared to your new payment?

5. **CLOSING/ASSETS**
   Do you have enough money available to pay the required down payment and closing costs for a new mortgage as well as reserves for other living expenses?

6. **APPRAISAL**
   Is the home you want to purchase worth as much or more than the price you agreed to pay based on the condition and market value of the property?

Terms

Appraisal
A formal written estimate of the current market value of a home and land, prepared by a licensed professional.

WHAT IS YOUR CREDIT SCORE?

A good credit score doesn't just help with obtaining a mortgage loan, it can also affect your interest rate. Be sure to review your credit report before you apply for a mortgage loan.

WHAT IMPACTS YOUR SCORE?

- **On-time payments**
- **Available credit**
- **Length of credit history**
- **Type of credit used**
- **Past credit inquiries**

CREDIT SCORE RANGES

- **Excellent** Above 720
- **Good** 680 – 720
- **Fair** 620–679
- **Poor** 580 – 619
- **Very Poor** Less than 580

Your Free Credit Report

Under the Fair Credit Reporting Act, you are eligible to receive a free copy of your credit report, at your request, once every 12 months. To order your free credit report, visit: **https://www.annualcreditreport.com** or call the Annual Credit Report Request Service at 877.322.8228.

4 YOUR MORTGAGE OPTIONS
Types of Mortgages

FIXED-RATE MORTGAGE

- Principal and interest payments are level for the life of the loan (monthly payments may vary based on changes to taxes, insurance, etc.)
- A variety of terms, including 30, 20, and 15 year terms
- Good for long-term living
- Refinancing is required to receive a lower interest rate in the future
- Borrowers do not get the benefit of a lower initial rate (as compared to an ARM)

ADJUSTABLE RATE MORTGAGE (ARM)

- Interest rates are fixed for the first 3 years (with a 3/1 ARM) or 5 years (with a 5/1 ARM)
- ARMs can feature lower rates and payments early in the loan term. Lower rates allow for the principal to be reduced more quickly
- Monthly payments may adjust in the future as the interest rates change
- For qualified borrowers you can get up to 100% financing with **Private Mortgage Insurance**

Terms

Private Mortgage Insurance (PMI)
Allows a mortgage lender to recover part of its financial losses if a borrower defaults on a loan.

GOVERNMENT LOANS

- FHA: An FHA home loan can be a good choice if you have a small down payment or difficulty qualifying for a traditional mortgage. Buyers can put down as little as 3.5% of the purchase price.
- VA: A qualified veteran can purchase a home with no down payment through DCCU.
- USDA Rural Development Loan: This home loan can be a good option for those with little or no down payment. Income and geographic restrictions apply.

Meeting Your Mortgage Advisor

The first time you meet with a member of our team, make sure you bring the following pieces of important information to ensure your conversation transitions smoothly to the next step on your homebuyer journey. With this information, we will be able to help match you with the best loan type for your purchase.

Paystubs or Year-to-Date P&L Statement if Self-Employed
All from the most recent 30-day pay period.

W-2 Forms
Include all forms covering the most recent two years.

Bank Statements / Account Statements
All pages, even if blank, are needed for the most recent two months.

Federal Tax Returns
All pages and schedules for the most recent two years are needed.

Your Photo ID
Driver's License, Passport, etc.

5 | SHOPPING FOR YOUR HOME

Considerations Before Buying

Searching for your next home can be both exciting and overwhelming. Finding a real estate agent that you are comfortable working with can be a big help on your homebuyer journey. You're not required to work with a real estate agent, however, having a professional looking out for your best interests can help you navigate the process.

BENEFITS OF WORKING WITH A REAL ESTATE AGENT

- Finding a home that meets your price range and needs
- Arranging home tours
- Obtaining information on schools, tax rates, and public services
- Working with the **seller's agent** to get your offer accepted
- Helping you sell your current home
- Assisting you in selecting a **settlement agent**, home inspector, and other service providers you may need during the home buying process, like a homeowner's insurance agent or a moving company.

SHOPPING CONSIDERATIONS

- Your commute
- Distance to recreation and restaurants
- Medical care availability
- School district preference
- Traffic flow on street
- Value of nearby homes
- Future plans (think ahead to the next 5 – 7 years)

Terms

Seller's Agent
A real estate agent who exclusively represents the seller of a property in a real estate transaction.

Settlement Agent
An individual or firm responsible for the final stages of completing a sale (known as the "settlement" or "closing") between the buyer and seller. Settlement agents are usually responsible for facilitating payment from the buyer to the seller and transferring the property or securities from the seller to the buyer.

6 | BUYING YOUR NEW HOME
Offer, Application, & Closing

ARE YOU READY TO MAKE AN OFFER?

Now things are going to get exciting. You've found the perfect place to call home and want to make an offer. Some homebuyers choose to make an offer on a home only with a pre-qualification, while others prefer the speed and security of being pre-approved. Whichever you prefer, be sure to offer an amount that makes you comfortable. You may want to offer an amount lower than the asking price, or request the seller to pay some of your closing costs. Your real estate agent can help you make an appropriate bid and present your offer to the seller. If your offer is not accepted, take your time to consider a counteroffer.

Buying a home will most likely be the largest purchase you ever make, and you should be comfortable with the offer and terms. Once you've reached an agreement with the seller, the signed offer, along with any amendments, becomes your **purchase agreement**, which is a legally binding written contract stating the terms and conditions under which a property will be sold.

Homeowner's Insurance

The company that provides your car insurance may also offer homeowner's insurance policies. Discounts may be available with multiple policies.

Terms

Purchase Agreement
A written agreement between the buyer and the seller stating the terms and conditions of a sale or exchange of property.

Loan Estimate
A disclosure that provides a summary of the loan terms, estimated loan costs, other estimated closing costs and additional application disclosures.

Homeowner's Insurance (HOI)
A policy insuring a private dwelling and its contents against multiple perils.

Homeowner's Insurance Agent
Sells insurance policies that protect individuals from financial loss resulting from accidents, fire, theft, storms, and other events that can damage property.

IS IT TIME TO APPLY FOR A LOAN?

Once you have a finalized contract, your DCCU Mortgage Advisor will walk you through the five simple steps to applying for a loan. Since you know the purchase price and the property address, you can work with your DCCU Mortgage Advisor to complete the loan application, discuss rate and lock options, and select the loan program that best meets your needs.

ORIGINATION

1. Contact
You contact DCCU to prepare for your application

2. Gather
You gather your income and asset documentation

3. Apply
You apply with a Mortgage Advisor for pre-qualification

4. Shop
You find a property, make an offer, and sign a contract

SETUP

5. Order
We order third party services such as appraisal and title

6. Prep
We prepare your file for underwriting

UNDERWRITING

7. Underwrite
We validate all submitted documentation and then formally approve or deny your loan

8. Satisfy
We satisfy conditions such as appraisal, title, assets, and employment verification

CLOSING

9. Clear
We clear the file for closing

10. Close
You sign closing documents and get the keys to your new home

AM I CLEAR TO CLOSE?

You are nearing the final stages of your homebuyer journey! You will be notified of the loan decision and any conditions that need to be met. During this time you have a few items that will need to be addressed:

1. Provide any additional requested documentation.
2. Lock your rate before your closing.
3. You will receive your Closing Disclosure at least three (3) business days prior to closing. This disclosure documents the actual terms and fees for your loan. We will contact you to review the Closing Disclosure and discuss potential impacts, should any terms or fees change.

WHAT HAPPENS AT CLOSING?

Now it is time for the final walk-through. Your purchase agreement should have a clause allowing you to examine the property prior to loan closing. Make sure you take this time to inspect the property and ensure it is in the proper state you expected when you made your offer as well as to confirm that the seller left behind any items that were negotiated in the contract.

Your settlement agent will work with you to manage your closing and will complete the transaction through the transfer of the property's title to you (the buyer) and the transfer of cash to the seller. Finally, it will be time to celebrate! Once you've completed your walk-through, signed the paperwork and paid the funds required to close, your homebuyer journey will be complete, and you'll receive the keys to your new home!

Closing Documents

At closing, you'll sign the documents below to finalize your loan and purchase. The more familiar you are with these documents, the more comfortable you will be on closing day.

The Note
Your written promise to repay DCCU for the principal and interest of your loan.

The Mortgage
Secures the Note and gives the lender a claim against your home and land if you default on your monthly payments.

The Deed
Passes legal title of the home and land from the seller to you (if applicable).

Closing Disclosure
Provides the actual terms and costs of the loan.

GLOSSARY

ADJUSTABLE-RATE MORTGAGE (ARM)
A mortgage in which the interest rate is adjusted up or down periodically based on a pre-selected index; also known as a variable rate mortgage. ARM products have interest rates that may increase after loan consummation.

ANNUAL PERCENTAGE RATE (APR)
The cost of credit on a yearly basis, expressed as a percentage. It is required to be disclosed by the lender on the loan estimate. Because it includes certain costs paid to obtain a loan, it is usually higher than the interest rate stated in the mortgage note. The APR aids in comparing the true cost of loans offered by lenders.

APPRAISAL
A formal written estimate of the current market value of a home and land, prepared by a licensed professional.

CLOSING COSTS
Fees paid to effect the closing of a loan. They include loan costs such as origination fees, discount points, title insurance fees, survey fees and attorney's fees; and other fees such as government fees, prepaids, initial escrow payment at closing and HOA dues, if applicable.

CLOSING
When the deed and financial documents are delivered, necessary documents are signed, and the funds necessary to consummate a loan transaction are disbursed. This is also called "settlement."

CLOSING DISCLOSURE
A document that provides the actual terms and costs of the loan. The borrower receives it at least three (3) business days before the closing.

CREDIT SCORE
A numerical value that serves as a measure of credit risk derived from a statistical program and based on information contained within a credit report that lenders use to determine a borrower's creditworthiness.

DEBT-TO-INCOME (DTI) RATIO
Expressed as a percentage and is equal to a borrower's total monthly payment obligations on current debts divided by his or her gross monthly income.

DOWN PAYMENT
Equal to the difference between the sale price of the real estate and the mortgage amount.

ESCROW
The portion of your mortgage payment collected by the lender that is deposited into an escrow account to pay the annual real estate taxes, homeowner's hazard insurance premiums and, if applicable, any mortgage insurance premiums or flood insurance. Together, the principal, interest, taxes, and insurance payment is referred to as "PITI."

FIXED-RATE MORTGAGE
A mortgage that has an interest rate that remains the same for the term of the loan. While the total monthly principal plus interest payment will stay the same on a fixed-rate loan, payments made earlier in the life of the loan will be made up of mostly interest and very little principal. This ratio shifts as the loan matures.

FORECLOSURE
A procedure in which a mortgaged property is sold to pay the outstanding debt in case of default.

FUNDING
The process of the mortgage lender wiring/releasing money to the settlement agent for a real estate transaction.

HOME INSPECTOR
Inspects and provides written reports on the overall physical condition of a residential structure for a fee. Not the same as appraisal.

HOMEOWNER'S INSURANCE (HOI)
A policy insuring a private dwelling and its contents against multiple perils.

HOMEOWNER'S INSURANCE AGENT
Sells insurance policies that protect individuals from financial loss resulting from accidents, fire, theft, storms, and other events that can damage property.

INTEREST
The portion of your mortgage payment you pay to the lender for using the lender's money. Together, the principal and interest payment is referred to as "P&I."

INTEREST RATE
A percentage of a sum of money that is charged for its use.

LOAN APPLICATION
An initial statement of a borrower's personal and financial information, which is used to review a request for credit.

LOAN ESTIMATE
Provides borrowers with a good faith estimate of credit costs and loan terms, and is given to the borrower within three (3) business days after the lender receives a loan application.

LOCK (LOCK IN)
A commitment obtained from a lender assuring a particular interest rate or feature for a definite time period. During the term of the lock commitment, the borrower is protected from interest rate increases.

MORTGAGE
The agreement used to pledge a home or other real estate as security for a loan.

MORTGAGE ADVISOR
A representative of a bank, credit union or other financial institution that finds and assists borrowers in acquiring loans. Mortgage Advisors can work with a wide variety of lending products for both consumers and businesses. They must have a comprehensive awareness of lending products as well as banking industry rules, regulations and required documentation.

MORTGAGE LOAN PROCESSOR
An individual who performs clerical and support duties during the mortgage loan process, including the receipt, collection, and distribution of information common for the processing or underwriting of a residential mortgage loan, and communicating with a consumer to obtain the information necessary for the processing or underwriting of a loan.

MORTGAGE PAYMENT
A typical one is made up of principal + interest + escrows.

PRE-APPROVAL
Your lender takes a much closer look at your financials. You supply documents such as tax returns, W-2s, pay stubs and account statements, and authorize a credit check. An underwriter reviews everything except a property appraisal and will preapprove you for a mortgage at an amount that is based on a full credit approval. A pre-approval can speed up the process of obtaining the final approval once you sign a purchase contract. Note: DCCU does not charge for a pre-approval; however some lenders may charge a fee.

PREPAID INTEREST
The amount of interest paid at closing to cover the period from the closing date until one month before the due date of the first mortgage payment.

PRE-QUALIFICATION
Some lenders start with an application, some begin with a conversation. Your credit report may be pulled and you will discuss finances (debt, income, and assets) with your Mortgage Advisor. Your Mortgage Advisor will then provide you an estimate for a mortgage for which you may qualify.

PRINCIPAL
The portion of your mortgage payment used to repay part of your outstanding principal balance (or loan amount), excluding interest.

PRIVATE MORTGAGE INSURANCE (PMI)
Allows a mortgage lender to recover part of its financial losses if a borrower defaults on a loan.

PURCHASE AGREEMENT
A written agreement between the buyer and the seller stating the terms and conditions of a sale or exchange of property.

REAL ESTATE AGENT
Licensed to sell real property, acting as an agent for others.

RECORDING FEES
Charged by a municipality for recordation of the Deed, the Mortgage/Deed of Trust, and at times, additional documents requiring public notice.

SELLER'S AGENT
A real estate agent who exclusively represents the seller of a property in a real estate transaction.

SETTLEMENT AGENT
An individual or firm responsible for the final stages of completing a sale (known as the "settlement" or "closing") between the buyer and seller. Settlement agents are usually responsible for facilitating payment from the buyer to the seller and transferring the property or securities from the seller to the buyer.

SURVEY
A measurement of the land, prepared by a registered land surveyor, showing the location of the land with reference to known points, its dimensions and the location of any improvements.

TITLE INSURANCE
An insurance policy which insures against defects in the title to the property. The cost of the policy is usually a function of the value of the property and is often paid by the purchase and/or the seller. There are two types of policies: a Lenders policy protecting the lender and an Owners Policy protecting the borrower/new owner.

UNDERWRITING
The decision to make a loan to a potential homebuyer is based on credit, employment, assets, and other factors.

WORKSHEETS

MONTHLY HOUSEHOLD BUDGET

	PROJECTED	ACTUAL	DIFFERENCE
Net Monthly Income			
Source 1			
Source 2			
Other Income			
Total Income (A)			
Monthly Fixed Expenses			
Rent/Mortgage			
Electric			
Gas/Oil			
Water/Sewer			
Telephone			
Cellular Phone			
Trash/Recycling Pickup			
Cable (Including Internet Service)			
Auto Insurance			
Life Insurance			
Child Support/Alimony			
Medical Insurance			
Child Care			
Other			
Total Fixed Expenses (B)			
Monthly Creditor Payments (Monthly Debt Payments)			
Auto Loan Payment(s)			
Installment/Bank Loan(s)			
Credit Card Payment(s)			
Total Creditor Payments (C)			

	PROJECTED	ACTUAL	DIFFERENCE
Monthly Flexible Expenses			
Savings			
Groceries			
Lunch (Work/School)			
Eating Out			
Entertainment/Hobbies			
Laundry/Dry Cleaning			
Clothing			
Gasoline/Bus/Taxi/Subway			
Newspaper/Magazines			
Church/Charity			
Tuition/Books			
Salon/Haircuts			
Auto Maintenance			
Home Maintenance			
Doctor/Dentist			
Pets			
Parking/Tolls			
Other			
Total Flexible Expenses (D)			
Add Total Expenses (B+C+D=E)			
Enter Fixed (B)			
Enter Creditor (C)			
Enter Flexible (D)			
Total Expenses (E)			
Subtract Expenses from Income (A-E)			
Enter Total Income (A)			
Enter Total Expenses (E)			
Difference*			

**If you have accounted for all of your expenses, including your savings, the difference between your TOTAL INCOME and TOTAL EXPENSES should be $0.00. If the DIFFERENCE is a positive number, you may want to consider allocating the extra money toward your debt and/or savings. If the DIFFERENCE is a negative number, you are spending more than you make. Review your budget thoroughly to examine where you can trim your expenses.*

MAXIMUM LOAN AMOUNT

Housing Expense Ratio (1)

Enter: Total gross monthly income (pre-tax)	$	
X 28%	X .28	
Equals: Maximum allowable for mortgage payment (PITI)	$	(1)

Total Debt Ratio (2)

Enter: Total gross monthly income (pre-tax)	$	
X 43%	X .43	
Equals: Maximum allowable for mortgage payment (PITI) before other debt	$	
Minus total monthly debt payment*	$	
Equals: Maximum allowable for mortgage payment (PITI)	$	(2)

Interest Rate 30-year	*P&I Factor*
4.00%	.004774
4.50%	.005067
5.00%	.005368
5.50%	.005678
6.00%	.005995
6.50%	.006321
7.00%	.006653
7.50%	.006992
8.00%	.007338
8.50%	.007689

Lesser of (1) or (2) $ (3)

Figure (3) is an estimate or your maximum allowable mortgage payment (PITI), given your current gross monthly income and debts.

Multiply Figure (3) by 80% to estimate the portion of PITI that represents your principal and interest (P&I) payment only	X .80	
Equals: Monthly allowable for P&I payment only	$	(4)

Divide Figure (4) by the facto in the chart above that most closely represents today's interest rate environment. P&I divided by 30-year P&I factor = maximum loan amount

$	-		=	$	This is your estimated maximum loan amount
Figure (4)		30-year P&I Factor			

**This is the total monthly amount that you pay toward all revolving and installment debt loans, including car payments, credit card payments and bank loans.*