TRUIST

Mortgage

Planning for homeownership

A step-by-step guide for homebuyers

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Your guide

We'll guide you through the mortgage financing process.

Purchasing a home is one of life's major financial accomplishments. For many, it's the culmination of years of dedication and saving. And we're excited to support you on your journey to homeownership. Our experienced mortgage professionals are committed to understanding your unique financial needs—and delivering them.

This guide provides important information about the major steps in the home financing process. You'll find an outline about what to expect as you move forward.

Have questions? Call us. Our skilled loan officers have the tools and experience to find the best mortgage solution for your goals. We're dedicated to helping you become a homeowner—let's get started.

Preparing for your home purchase

Am I ready to buy a home?

Buying a home takes strategic planning.

There are many factors to consider when making a big purchase, including buying a home. You might need to adjust your spending and saving patterns, and consider how owning a home will affect your long-term goals.

Sometimes the timing is right—and sometimes it isn't.

There are rewards and risks that come with owning a home. Only you can decide whether purchasing makes sense for your situation.

Rewards:

- Enjoy a sense of pride and accomplishment in owning your own home.
- You could take advantage of significant tax benefits. Consult a tax professional to discuss your specific situation.
- While rent may increase over the years, total monthly payments of principal and interest won't increase if you choose a **mortgage** program with a **fixed rate.**
- Your home may increase in value over time.

Risks:

- You are responsible for maintenance and repairs.
- Your home may decrease in value over time.
- If you fail to make your monthly payment, you may risk **foreclosure.**

Key terms

A **mortgage** is the agreement used to pledge a home or other real estate as security for a loan.

A **fixed-rate** mortgage 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 is a procedure in which a mortgaged property is sold to pay the outstanding debt in case of default.

Can I afford to buy a home?

Find out by assessing your income and spending habits.

Establishing a realistic budget can help you:

1. Determine what you can afford to pay monthly for a home.
2. Understand if you can afford the upfront and ongoing expenses associated with homeownership.
3. Develop a plan to save money to buy a home or for other financial goals, such as retirement or education expenses.

Use the budget worksheets at the end of the guide to track your projected and actual monthly expenses.

Once you have a clear picture of your total monthly debt payment, you can then use the Maximum Loan Amount Worksheet at the end of the guide to estimate the most you could spend on monthly mortgage payments, as well as the maximum amount you could borrow. The estimate is based on your current income and standard qualifying guidelines.

Be sure you understand the full cost of owning a home.

The total cost of homeownership includes one-time expenses such as the **down payment, closing costs**, and moving costs—plus recurring monthly expenses like your **mortgage payment**, property taxes, hazard insurance, condo fees/homeowner association dues, utilities, interior/exterior repairs, and general upkeep. Lastly, if you have a home to sell, additional expenses may include repairs or renovations to increase the value of your existing home, and real estate agent commissions.

On the next page you'll find more detailed information on these costs and how they affect the price of your home.

Key terms

A **down payment** is equal to the difference between the sale price of the real estate and the mortgage amount.

Closing costs are fees paid to affect 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.

A typical **mortgage payment** is made up of **principal + interest + escrows.** The principal portion of your mortgage payment is used to repay part of your outstanding principal balance (or loan amount), excluding interest.

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

The **escrow** portion of your mortgage payment is money collected by the lender that is deposited into an escrow account to pay the annual real estate taxes, property insurance, and, if applicable, any mortgage insurance premiums or flood insurance. (See page 7 for more on mortgage insurance.) Together, the principal, interest, taxes, and insurance payment is referred to as "PITI."

Can I afford to buy a home?
(Continued)

Know that a down payment plays a key role in monthly affordability.

Most mortgages require you to pay a percentage of your home's selling price upfront using your own cash or funds. This amount depends on the mortgage you qualify for. Down payment requirements typically range from 0% to 20%. However, a larger down payment may be required in certain situations.

The example below uses a $100,000 purchase price to illustrate how your down payment impacts the amount of money you'll need to borrow for your home purchase. You'll notice there is a trade off—the more you can afford to put toward a down payment, the lower your total loan amount becomes, which ultimately means lower monthly mortgage payments.

Be knowledgeable about the fees you'll pay.

In addition to the down payment, there are other fees and expenses, called closing costs, that can add up. Once you have submitted your **loan application,** within three (3) business days your lender will issue a **Loan Estimate,** which is a list of most of the closing costs you'll have to pay. At least three (3) business days before closing, you will see these fees again on your **Closing Disclosure,** where they will no longer be estimates, but rather, final figures. On the next page, you'll find a list of typical closing costs.

Key terms

A **loan application** is an initial statement of a borrower's personal and financial information that is used to review a request for credit.

A **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.

The **Closing Disclosure** is 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.

Percent down	Multiplied by purchase price	Down payment	Total loan amount
20%	$100,000 X .20	$20,000	$80,000
10%	$100,000 X .10	$10,000	$90,000
5%	$100,000 X .05	$5,000	$95,000

* Gift funds may fund all or part of the down payment, closing costs, or financial reserves subject to product requirements.

** 100% mortgage financing will result in no property equity until such time as the loan principal is paid down through regular mortgage payments and/or the property value appreciates. If property values decline, you could owe more than your property's value. A down payment may be required if the property is located in a declining market or if required by state regulations.

Tip

Concerned about finding the funds for your down payment? Talk with us about third-party contributions or gift funds,* and whether or not you qualify for 100% financing** or state-sponsored down payment assistance programs.

Will I qualify for a loan?

Understand what impacts your ability to qualify for a loan. There are certain requirements that a borrower must meet in order to be approved for a mortgage. We'll review your financial information to determine your past repayment habits and future ability to handle the increased financial responsibility of buying a home. The chart below outlines the six primary areas of consideration for credit approval.

Primary areas of consideration for credit approval

Income
Do you have sufficient income to pay your new mortgage payment and other debts?
Income stability
Do you receive regular income?
Credit history
How have you handled your other credit obligations?
Change in housing payment
Is there an increase from your current housing expense to your new mortgage payment?
Cash to close
Do you have enough money available to pay the required down payment and closing costs for a new mortgage?
Property appraisal
Is the home you want to purchase worth as much or more than the price you agreed to pay?

Typical closing costs

The following list includes closing costs you may need to pay.

Actual amounts vary by loan program and property location.

1. Lender fees
   - Application
   - Points
   - Origination fees
   - Processing fee (includes underwriting fees)
2. Service/third-party vendor fees
   - Appraisal fee
   - Attorney fees
   - Courier fees
   - Credit report
   - Flood determination/life of loan coverage
   - Home inspection
   - Pest inspection
   - Survey fee
   - Title insurance (lender's policy)
   - Title insurance (owner's policy)
   - Title company closing fee
3. Government fees
   - Recording fees
   - Transfer of taxes
4. Prepaid escrows
   - Escrow deposit for taxes and insurance
   - Property insurance (which may include flood insurance, if applicable)
   - Prepaid interest

Will I qualify for a loan?
(Continued)

Different mortgages have different qualifying guidelines.

One example of a qualifying guideline is the **debt-to-income ratio (DTI),** which is used to determine the maximum loan amount for which you might be eligible.

Typical DTI ratio guidelines:

Many loan programs require that no more than 43% of your gross monthly income should go toward recurring debts, including housing expense, credit card, car loan, or installment loan payments, etc. Some lenders and loan programs may require lower DTI ratios—capping the DTI at 36% is not uncommon. Additionally, some loan programs allow higher than 43% DTI ratios when there are other compensating factors, and there are special loan programs for low to moderate income homebuyers. Your loan officer can offer details.

Remember this DTI ratio is based on pre-tax dollars—the amount you spend on housing will depend on your income taxes and other living expenses.

A good credit score can make a difference.

Your **credit score** is another example of a qualifying guideline. We'll review your credit report to see if there are any problems or opportunities to improve your credit score before you begin shopping for a home and applying for a loan.

Factors that impact your credit
On-time payments
Capacity used/available credit
Length of credit history
Types of credit used
Past credit applications/inquiries

Credit scores
Excellent - Above 720
Good - 680 - 720
Fair - 620 - 679
Poor - 580 - 619
Very poor - Less than 580

Under the Fair Credit Reporting Act, you're eligible to receive a free copy of your credit report, at your request, once every 12 months. To order your free credit report, call or visit:

Annual Credit Report Request Service
877-322-8228
https://www.annualcreditreport.com
[Please type the website address exactly as shown here.]

Once you feel confident that you understand the costs and fees of purchasing a new home and are comfortable with your mortgage payments, you're ready to take the next steps to homeownership.

Will I qualify for a loan?
(Continued)

Key terms

A **point** is a one-time charge imposed by the lender to lower the interest rate at which the lender would otherwise offer the loan. Each point is equal to one percent (1%) of the mortgage amount.

An **origination fee** is charged by a lender to a borrower to cover administration and loan document preparation. The fee is usually based on a percentage of the loan amount.

An **appraisal** is a formal written estimate of the current market value of a home and land.

A **credit report** is a record of your current and historical borrowing and repaying, including information about late payments and public records such as bankruptcy.

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

Title insurance is an insurance policy that insures against defects in the title. The cost of the policy is usually a function of the value of the property and is often paid by the purchaser and/or seller. There are two types of policies: a lender's policy and an owner's policy.

A **lender's policy** is required by Truist and protects the lender's interest in the event a claim arises.

An **owner's policy** protects the buyer's interest in the property (home and land). An owner's policy is optional, but it is recommended that you obtain this coverage for your protection.

Recording fees are charged by a municipality for recordation of the deed, the mortgage/deed of trust, and at times, additional documents requiring public notice.

Property insurance is a policy insuring a private dwelling and its contents against multiple perils.

Prepaid interest is 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.

Debt-to-income (DTI) ratio is expressed as a percentage and is equal to a borrower's total monthly payment obligations on current debts divided by their gross monthly income.

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

What types of mortgages are available?

Different kinds of mortgages fit different financing needs.

Mortgage loans can be categorized several different ways.

Category 1: Fixed-rate vs. adjustable-rate loans

Generally, loans fall into two categories: fixed-rate and adjustable-rate mortgages (ARM). The chart on the next page compares these options. These loans are issued for a specific term. Your monthly payments are structured so you can pay your loan within that time period.

Category 2: Government vs. conventional loans

Unlike conventional loans, government secured loans are backed by a federal agency, like the Federal Housing Administration (FHA) or U.S. Department of Veterans Affairs (VA). These loans are insured by the government to protect the lender in case of default. They generally offer lower interest rates and down payment requirements. However, they do have specific eligibility requirements. For example, VA loans are only available to veterans, and FHA loans have loan amount restrictions based on county of residence. You typically don't see these restrictions with conventional loans.

Category 3: Conforming vs. jumbo loans

Conventional mortgages are classified as conforming or non-conforming, also known as jumbo loans. Maximum loan amounts are subject to change on an annual basis. Ask your loan officer for details.

Category 4: Loans with or without mortgage insurance

If your down payment is less than 20% of your home's purchase price, most lenders will require a mortgage insurance (MI) premium. Costs may vary based on loan type, your credit profile, and the actual down payment amount.

Which loan is right for you?

If you're wondering which loan is right for you, rely on our experience. Reach out to a Truist mortgage loan officer—we'll make sure you have the information you need to make an informed decision.

Key terms

An adjustable-rate mortgage (ARM) is 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.

Mortgage insurance (MI) allows a mortgage lender to recover part of its financial losses if a borrower defaults on a loan.

What types of mortgages are available?

(Continued)

There are two main types of mortgages:

Fixed-rate mortgage

Features

Interest rate stays the same for the life of the loan

The total principal + interest payment is the same every month

Loan is fully paid off by the end of the loan term and considered fully **amortized**

Considerations

Provides stability and security with stable fixed payments

Recommended if you plan to stay in the home at least seven years

Interest rate may be higher than that of an adjustable-rate loan

Adjustable-rate mortgage (ARM)

Features

Interest rate is only fixed for an initial period of time

At the end of the fixed-rate period, the interest rate can adjust either up or down on a monthly, but typically annual, basis

The total principal + interest payment may increase or decrease over the life of the loan

Loan is fully paid off by the end of the loan term and considered fully amortized

Considerations

Interest rate fluctuation is always a factor once the fixed-rate period has ended

Initial interest rate may be lower than that of a fixed-rate loan, resulting in increased buying power

Offers flexibility of having a lower payment initially

May make sense for buyers who plan to sell before the fixed-rate period ends

Key terms

An **interest rate** is a percentage of a sum of money that is charged for its use.

Amortization is the repayment of mortgage debt with periodic payments of both principal and interest, calculated to pay off the loan obligation at the end of a fixed period of time.

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

Tip

When shopping for a mortgage, use the **Annual Percentage Rate (APR)** to compare the total cost of a loan from different lenders.

Which mortgage best fits my needs?

While each type of mortgage has its benefits, it's important to choose the one that best meets your needs.

Selecting the right mortgage starts with a consultation (over the phone or in person) with your mortgage loan officer. During this meeting, your loan officer will listen to your concerns and ask about your goals. When your loan officer understands your plans and current financial situation, they'll help you identify your options, and weigh the pros and cons. For example, getting the lowest monthly payment may be the most important to you, or paying off the loan fast may be your primary goal.

Understanding how much home you may qualify for is a crucial step.

With your goals in mind, your mortgage loan officer can provide an estimate of the loan amount you may qualify for with our free preapproval process.* A preapproval will help you decide on an appropriate price range while shopping for homes—and put you a step ahead of other buyers. We'll help you find your mortgage at an amount that's right for you.

The loan amount for which you are preapproved may be higher than what you believe you can afford. You may want to discuss these details with a financial professional or just carefully evaluate your own budget to determine what you are willing to spend. Remember, a lender is providing you the maximum you may be either "eligible" or "qualified" to borrow—you must decide the price range and payments that make you comfortable.

Now, with an idea of the best mortgage options and a price range, you're ready to find the perfect place to call home. During your search, your loan officer is available every step of the way to answer questions, clarify your choices, and make sure you have everything you need to move forward in the process with confidence.

Key terms

Preapproval: Provides the maximum amount you may be able to borrow. Your credit report may be pulled, and you'll discuss finances (debt, income, and assets) with your loan officer. Your loan officer will then provide you an estimate for a mortgage for which you may qualify.

* Preapproval is based on non-verified information and is not a commitment to make you a loan by Truist. Loan approval will be subject to, but not limited to, verification of all income, asset and liability information provided by you, satisfactory property appraisal, compliance with Truist loan program guidelines and all required closing conditions such as survey and title examination.

Shopping for your home

How do I start my home search?

Searching for your perfect home is exciting.

Here's a checklist of things to consider as you search:

- Your commute
- Distance to shopping, parks, restaurants
- Medical care availability
- School district preference
- Traffic flow on street
- Value of nearby homes
- Future plans (think ahead to the next five to seven years)

A real estate agent can be a helpful resource for finding the perfect home.

Searching for the right home takes work. Partnering with a **real estate agent** that you're comfortable with can be a big help. While you're not obligated to work with one, an agent can provide a variety of services to help you coordinate the many activities that are involved in a real estate transaction, such as:

- Finding homes that meet your needs in your price range.
- Making arrangements for you to tour homes.
- Providing information on schools, tax rates and public services available for each neighborhood you visit.
- 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 homebuying process, like a **homeowner's insurance agent** or a moving company.

Things can move very quickly at this stage in your home search. Take this time to assemble the team of professionals whose services you'll need to retain shortly after selecting your home and notifying your loan officer.

Your team

A **real estate agent** is licensed to sell real property, acting as an agent for others.

The **seller's agent** is a real estate agent who exclusively represents the seller of a property in a real estate transaction.

The **settlement agent** is 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.

For a fee, a **home inspector** inspects and provides written reports on the overall physical condition of a residential structure.

A **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.

Tip

The company that provides your car insurance may also offer homeowner's insurance policies. Discounts may be available with multiple policies. Be sure to inquire and shop around for the best rates.

I found my home—what's next?

Make an offer you're comfortable with.

Once you've found the right home, it's time to make an offer. Some people choose to make an offer on a home with only a preapproval, while others prefer the speed and security of being credit approved. Whichever your preference, be sure to offer an amount that makes you comfortable.

You may choose to offer an amount lower than the asking price, or request that the seller pay some of your closing costs. Your real estate agent can advise you in making 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 is likely the largest purchase you will ever make, and you should be comfortable with your 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.

Consider a home inspection as a condition of purchase.

You may choose to include a home inspection as a condition of your home purchase. An inspection will provide you with useful information about the condition of the home and identify any deficiencies in the home's structure and components. Should the inspection reveal any major problems with the home (e.g., problems with plumbing or heating systems or deficiencies with the roof or foundation), you may request that the seller make the necessary repairs or renegotiate the purchase price.

If you can't reach an agreement or the home inspection report documents more maintenance than you'd like to deal with, you should be able to withdraw your offer and get back to the hunt. Be sure to look closely at how your purchase agreement is phrased regarding your inspection rights, including your ability to end the purchase agreement if necessary. This is a point you may want to discuss with your real estate agent.

Key terms

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

Buying and closing on your home

How do I apply for a loan?

Your loan officer will guide you step-by-step through the mortgage process.

There are five key steps in applying for your loan. Once you have a finalized contract, it's time to apply for your loan. Now that you know the purchase price and the property address, you can work with your loan officer to complete your loan application, discuss rates and lock options, and select the loan program that best meets your needs.

Loan application

At Truist, we make the loan application process easy.

Step 1: Submit your loan application. Your loan officer may guide you to do this online, over the phone, or in person.

Step 2: Submit your documents. In order to process and underwrite your loan, your lender will request income documentation (e.g., pay stubs, W-2s/1099s), asset documentation (bank account statements), other documentation (e.g., landlord history or divorce decree), and any other relevant documents. If you were preapproved, you may still need to provide some updated documentation. Your loan officer will provide you a checklist.

Note: Submission of this documentation is not a requirement for issuance of the Loan Estimate.

Step 3: Loan Estimate issued. Within three (3) business days after the loan application submission, the Loan Estimate will be mailed or emailed to you.

Step 4: Intent to proceed. You will indicate your intent to proceed with the mortgage transaction after receipt of the Loan Estimate. Processing of your loan will begin once this step has been completed.

Step 5: Fee payment. The lender will typically collect an application fee and order an appraisal after receiving the intent to proceed.

Loan approval process

Your loan then moves to the processing stage where a loan processor prepares your file for review by an underwriter. At this point, your processor becomes your primary point of contact. During this time, your key responsibilities include:

- Providing your loan processor with any contract changes, renegotiations, or repair addenda if necessary.
- Finalizing property insurance, which may include flood insurance, if applicable. A copy of any property insurance policies will be required 15 days prior to closing.
- Reviewing any paperwork you are provided and taking required action.
- Providing additional documentation as requested.
- Reviewing any revised Loan Estimate issued.

Key terms

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

A loan processor is 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. They communicate with a consumer to obtain the information necessary for the processing or underwriting of a loan.

During the underwriting process, the decision to make a loan to a potential homebuyer is based on credit, employment, assets, and other factors.

The closing of a home purchase is when the deed and financial documents are delivered, necessary documents are signed, and the funds necessary to consummate a loan transaction are disbursed. Also called "settlement."

What happens at closing?

Preparing for closing.

You're nearing the final stages of the process. You'll be notified of the loan decision and any conditions that need to be met. During this time you have several key responsibilities:

1. Provide any additional documentation that may be requested.
2. Lock your rate at least 15 days before your closing if you haven't locked it already.
3. You'll receive your Closing Disclosure from your lender at least three business days prior to closing. This disclosure documents the actual terms and fees for your loan. Your loan processor will contact you to review the Closing Disclosure and discuss potential impacts, should any terms or fees change.

You'll inspect the property during a final walk-through.

Your purchase agreement should have a clause allowing you to examine the property prior to loan closing. This is your time to check for any damage and see that the seller has vacated the property and left any items negotiated in the contract.

Your settlement agent will work with you to manage your closing.

Your settlement agent will complete the transaction through the transfer of the property's title to the buyer and the transfer of cash to the seller.

You'll sign several documents to settle your costs.

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 Truist for the principal and interest of the 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.

Celebrate the purchase of your new home.

Once you've completed the walk-through, signed the paperwork and paid the funds required to close, the transaction is complete. You'll then receive the keys to your new home. As a new homeowner, you can enjoy the benefits of becoming a part of a new community and get to know your new neighborhood.

Key terms

Lock (lock-in) is 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.

The Closing Disclosure provides a summary of the actual loan terms, the loan costs, other settlement costs, and additional closing disclosures.

What comes next?

We're here for you.

We hope this guide helped you get an overview of the home financing process and answered any questions you had about mortgage loans. You'll likely have more questions—and that's exactly why we're here. Reading this guide has prepared you for your first meeting with a mortgage loan officer.

At that meeting, ask for your copy of *Apply and close with confidence.* This next resource will go into more detail, helping you understand the key components of your loan and the important and active role you'll play in the *application-to-close* process. You'll also be introduced to the key decisions that you'll need to make throughout the process to ensure a smooth and timely closing.

Contact us today.

Whether you're ready to buy or just thinking about it, it's never too soon to start a conversation with one of our loan officers. Just as a good real estate professional will help you avoid underbidding or overpaying, a savvy loan officer 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, the more prepared you'll be as you start your journey toward homeownership.

Let's get started.

We offer a complimentary preapproval anytime, and can provide support as you make a plan to purchase a home. To get started, locate a loan officer near you at Truist.com/mortgage or call us at 844-454-1933.

Planning tools

Monthly household budget worksheet

	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 loans			
Credit card payments			
Total creditor payments (C)			

Monthly household budget worksheet (Continued)

	Projected	Actual	Difference
Monthly flexible expenses			
Savings			
Groceries			
Lunch (work/school)			
Eating out			
Entertainment/hobbies			
Laundry/dry cleaning			
Clothing			
Gasoline/bus/taxi/subway			
Newspapers/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 worksheet

Housing expense ratio (1)
Enter: Total gross monthly income (pre-tax)
X 28%: Often referred to as the "front-end ratio", keeping your monthly mortgage payment under 28% of your total gross monthly income is typical.
Equals: Maximum allowable for mortgage payment (PITI)

$ ______
X .28 ______
$ ______

Total debt ratio (2) (1)
Enter: Total gross monthly income (pre-tax) $
X 43%
Equals: Maximum allowable for mortgage payment (PITI) before other debt
Minus total monthly debt payment*
Equals: Maximum allowable for mortgage payment (PITI)

$ ______
X .43 ______
$ ______
$ ______
$ ______ (2)

Lesser of 1 or 2

$ ______ (3)

Figure (3) is an estimate of 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 .8 ______

Equals: Monthly allowable for P&I payment only $ ______ (4)

Divide **Figure (4)** by the factor in the chart below 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

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

*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.

Notes