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### Homebuyer's Financial Worksheet

Available in [PDF](#) | [MS Word](#)

This worksheet is designed to help you answer two important questions: how much should you save and how much can you spend? The 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.

**IMPORTANT NOTE:** This worksheet will only give you an idea of what you can afford. You must consult a mortgage lender afterwards to get a more precise estimate.

In the meantime, keep saving your money!!!

#### **I. Determining 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 saved already? \$ \_\_\_\_\_ **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 your credit cards? \$ \_\_\_\_\_ How much do you currently spend each month for Electricity \$ \_\_\_\_\_ Gas (your heating/cooling bill) \$ \_\_\_\_\_ Telephone service \$ \_\_\_\_\_ Cable/satellite service \$ \_\_\_\_\_ Water and sewer service \$ \_\_\_\_\_ Renter's insurance (divide the yearly premium by twelve) \$ \_\_\_\_\_ Groceries and household supplies \$ \_\_\_\_\_ Clothing \$ \_\_\_\_\_ Health club dues \$ \_\_\_\_\_ Other fees or dues \$ \_\_\_\_\_ Fuel and repairs for your car \$ \_\_\_\_\_ Books, movies, video rentals, dining out, etc. \$ \_\_\_\_\_ The lottery and other incidental purchases \$ \_\_\_\_\_ **TOTAL:** \$ \_\_\_\_\_ *Calculate your leftover cash* Enter your total monthly income from the calculation above \$ \_\_\_\_\_ Enter your total monthly payments and spending calculated above \$ \_\_\_\_\_ Subtract the second figure from the first \$ \_\_\_\_\_ **TOTAL:** \$ \_\_\_\_\_

With your current spending habits, the total is the amount you could be saving each month.

Americans aren't particularly good at saving money, but with some basic changes, you could save a lot more than you do right now.

- Do you need to reset your priorities? The first thing you can do to improve your savings is to treat your desire to own a home as a monthly obligation at the same level of priority as your rent and your car. In other words, pay yourself first.
- The second important thing you can do right now is to cut your spending. What items can you do without? Don't be too strict with yourself unless it's absolutely necessary. Make sure you keep some money for entertainment in the monthly budget.
- Frequently it is impulse spending that blocks efforts to save money. There are ways to cut your impulse spending. If you use your credit cards for impulse purchases, don't carry them around with you. Instead, make your credit card a tool for planned purchases, like new clothing, or your evening out. The other way to reduce impulse purchases is to give yourself a set amount of cash as "mad money" for each pay period and use it for your entertainment, impulse spending and small luxuries. The idea is to make it last until the next payday. You'll be amazed at how quickly you become frugal. You also may find it helpful not to carry your ATM card.

*Tips for increasing your savings*

- Set up a special account for your house money. Many banks offer accounts for special savings goals. Money markets and mutual funds may be good choices, too, and many banks offer them as well as regular savings accounts.
- If you have a checking account, you can direct the bank holding your savings account to automatically withdraw a set amount from your checking account each month. Ask the bank to make the day they make the withdrawal shortly after one of your usual paydays.
- If your employer offers direct deposit for your paycheck, you can probably direct that a certain percentage of each paycheck be directly deposited into your special savings account.
- Otherwise, set aside a certain percentage of your income each month for you house money. When you pay your bills, write a check to yourself first and send it to your savings account.
- If you have a pension plan or a 401(k) plan at work and contributions are regularly taken out of your paycheck, pat yourself on the back and then avoid the temptation to stop the contributions! The income and out-go calculations you worked through above are based on your take-home pay and that would not include the automatic contributions to your retirement accounts.
- If you think you can't do both kinds of saving, consider lowering the amount of your contribution by 2% to 3%.

*A note about another important priority* **Determining the amount you need to save.**

Complete Section II and then answer the following questions.

How much money did you determine you could borrow? \$ \_\_\_\_\_

Estimate closing costs by multiplying your estimated loan by first 3% and then by 6%. This will give you a rough idea of how much it will cost to complete your purchase.

$$\begin{aligned} \$ \text{_____} & \times 0.03 = \$ \text{_____} \\ \$ \text{_____} & \times 0.06 = \$ \text{_____} \end{aligned}$$

Mortgage lenders frequently charge a "loan origination fee," to pay for their service to you. The fee may be taken as a percentage of the loan. To estimate this fee, multiply the amount you'd like to borrow by 7% and 10%.

$$\begin{aligned} \$ \text{_____} & \times 0.07 = \$ \text{_____} \\ \$ \text{_____} & \times 0.10 = \$ \text{_____} \end{aligned}$$

Different kinds of mortgages require different down payments. The more money you have to put down, the more advantageous terms you can get for your mortgage contract. Lenders are very willing to sell you a mortgage with a low down payment, too. To get an idea of what your down payment might be multiply the amount you'd like to borrow by 5%, 10% and 20%.

$$\begin{aligned} \$ \text{_____} & \times 0.05 = \$ \text{_____} \\ \$ \text{_____} & \times 0.10 = \$ \text{_____} \\ \$ \text{_____} & \times 0.20 = \$ \text{_____} \end{aligned}$$

**CALCULATE HOW MUCH MONEY YOU HAVE TO SAVE**

For a 5% down payment you will need to save between the following amounts.

Five percent down payment (enter it twice)	\$ _____	\$ _____
Low and high estimates of closing costs	\$ _____	\$ _____
	Low	High
Low and high estimates of loan origination fees	\$ _____	\$ _____
	Low	High
<b>TOTALS:</b>	\$ _____	\$ _____
	Low	High

For 10% down you will need to save between the following amounts.

Ten percent down payment (enter it twice)	\$ _____	\$ _____
Low and high estimates of closing costs	\$ _____	\$ _____
	Low	High
Low and high estimates of loan	\$ _____	\$ _____

origination fees	Low	High
<b>TOTALS:</b>	\$ _____	\$ _____
	Low	High

If you'd like to pay 20% down (which will give you the most attractive terms), you will need to save between the following amounts. Twenty percent down payment (enter twice) \$ \_\_\_\_\_ \$ \_\_\_\_\_ Low and high estimates of closing costs \$ \_\_\_\_\_ \$ \_\_\_\_\_ Low High Low and high estimates of loan \$ \_\_\_\_\_ \$ \_\_\_\_\_ origination fees Low High **TOTALS:** \$ \_\_\_\_\_ \$ \_\_\_\_\_ Low High

## II. Determining the Amount You Can Spend

<b>How much money do you make each month before taxes?</b>	\$ _____
<b>How much money does your spouse or partner make each month?</b>	\$ _____
<b>Add these two numbers together. TOTAL:</b>	\$ _____
<b>The total is your "gross monthly income."</b> How much do you currently pay each month for	
<b>Rent/Mortgage</b>	\$ _____
<b>Electricity</b>	\$ _____
<b>Gas (your heating/cooling bill)</b>	\$ _____
<b>Telephone service</b>	\$ _____
<b>Cable/satellite service</b>	\$ _____
<b>Water and sewer service</b>	\$ _____
<b>Renter's or homeowner's insurance</b>	\$ _____
<b>Property taxes</b>	\$ _____
<b>Add these numbers together TOTAL:</b>	\$ _____

The total is your "*monthly housing cost*"

TIP: You should calculate your total housing cost again after you decide where you would like to live and have investigated typical property taxes and homeowners' insurance for that area. Your real estate agent can help you find this information. Multiply your gross monthly income by 28% (0.28).

$$\text{_____} \times 0.28 = \$ \text{_____}$$

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	\$ _____
<b>Add these numbers together TOTAL:</b>	\$ _____
Now add the monthly housing cost you calculated already	\$ _____
<b>TOTAL:</b>	\$ _____

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

Multiply your total monthly debt by 36% (0.36).

$$\text{_____} \times 0.36 = \$ \text{_____}$$

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 kind of mortgage you qualify for, and other factors.

For a *very rough* idea of the total dollar amount, multiply each ratio by twelve and then by the number of years you will be paying the mortgage. Thirty years is most typical, though some mortgages have a ten-to-fifteen year term.

NOTE: This very rough idea does not include any consideration of the interest you will be paying. Once you have a rough idea, talk to a mortgage lender for a better estimate of how much you'll be able to borrow. Many computers have a program for doing this calculation, as do mortgage companies who have websites. Just type "mortgage" into your browser's search engine and you'll probably have several hits that will do the estimate for you based on the information you provide.

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