

E_{asy} L_{enders}

National Mortgage Company
825 Easy Street
Seattle, WA 98701

Thank you for your recent inquiry into procuring a mortgage from Easy Lenders. In order to determine the amount we may lend to you, we need you to complete the following worksheet and return it to any of our local representatives.

Income:

Profession: _____

Monthly salary \$ _____ (annual salary of \$ _____ divided by 12)

If you are not sure of your annual salary, you may use the bottom median salary listed for your profession in the Occupational Outlook Handbook. (To look up a job in the OOH, open a web browser, go to <http://www.bls.gov/oco/>, type the job into the "Search the Handbook" box in the upper right corner <spelling counts!>. Then click or scroll down to the "Earnings" section. Example: "Median annual earnings of veterinarians were \$66,590 in May 2004. The middle 50 percent earned between \$51,420 and \$88,060. The lowest 10 percent earned less than \$39,020, and the highest 10 percent earned more than \$118,430. You may list \$51,420 as your salary, which is very generous for someone just starting a career.)

Other monthly income \$ _____
Stocks & investments, Alaska Permanent Fund <divide by 12!>, etc.)

Total monthly income \$ _____

Debt:

Monthly debt payments:

Car payments: _____/month

The average consumer pays 11 percent of his or her monthly gross income on a car payment, according to estimates from autos Web site Edmunds.com. Certified financial planner Chris Cooper thinks that's too high for most people. As a rule of thumb, he doesn't think it's prudent to pay more than 8 percent of your monthly gross income on a car payment. Less if you have other debt. (New cars are usually financed for five years; used cars are financed for three years)

Credit card payments: \$ _____/month

Use Nellie Mae's statistics: \$2,327 Average credit card indebtedness in 2001. Figure you will be paying 1% per month, or \$35.00 minimum payment, whichever is greater. (At this rate, you will be ready to retire when your credit card is paid off). You may decide to pay more every month.

Other: (alimony, child support, etc.) \$ _____/month

Student loan payments: \$ _____/month

Median indebtedness for college students, according to Nellie Mae (http://www.nelliemae.com/library/research_10.html): Unless you can get another quote, to determine your monthly student loan payment, figure your average indebtedness below divided by 60. (Student loans are usually financed for 10 years) – See next page

Years/Program:	Public
vocational/technical	11,900

2 (Associate)	7,700
4 (Bachelors)	16,500
6 (Masters)	\$45,900
8 (Doctorate)	\$91,700

Monthly real state tax and homeowners insurance: \$33.33/month

Use the national average of \$400 unless you can prove otherwise (city/county assessor's office & national insurance company quote)

Mortgage insurance \$50.00/month

You pay the premium for insurance the lender takes out on you, insuring them against you defaulting on the loan. This goes away after you have paid off 20% of the principal.

Total Monthly Debt Payments: \$_____ /month

This is _____ % of my gross monthly income. (monthly debt payment divided by income x 100). If it is more than 8%, it will limit the amount of house you can afford.

MAXIMUM HOUSING RATIO ALLOWED = 28% = \$_____ /month

(Your total monthly income (above) multiplied by 0.28 ~ You can not spend more than 28% of your income on housing.)

MAXIMUM TOTAL OBLIGATION RATIO ALLOWED = 36%

= \$_____ /month (Your total monthly income (above) multiplied by 0.36 ~ You can not spend more than 36% of your income on housing, taxes, insurance, and other debt.)

But how much house do you get for that much money?

How much you can spend on a house depends on these variables:

- **How much you can put down.** That is your cash that you are investing in the house. The more you pay for up front, the less you will need to finance with a mortgage. See what happens if you assume a \$20,000 down payment (perhaps from a long lost uncle?)
- **How long you want to finance your loan.** The standard is 30 years. 15 years often will give you a better interest rate, but the monthly payments are much higher.
- **What today's interest rates are.** This also depends upon your credit history. You may use the rates listed in the "Overnight Averages" box in the upper right hand corner of <http://www.bankrate.com/brm/calc/newhouse/calculator.asp>.

The easiest way to figure this out is to plug the above numbers into an online mortgage calculator. Here's one that seems to work well:

<http://www.bankrate.com/brm/calc/newhouse/calculator.asp>

Affordable Mortgage Payment: \$_____ /month

Affordable Home Amount \$_____ /month