



Dark Horse Realty & Property Services

Serving Windsor County, Vermont

Budget Basics Worksheet

The first step in getting yourself in financial shape to buy a home is to know exactly how much money comes in and how much goes out. Use this worksheet to list your income and expenses below.

INCOME	
Take Home Pay (all family members)	
Child Support/Alimony	
Pension/Social Security	
Disability/Other Insurance	
Interest/Dividends	
Other	
Total Income	
EXPENSES	
Rent/Mortgage (include taxes, principal, and insurance)	
Life Insurance	
Health/Disability Insurance	
Vehicle Insurance	
Homeowner's or Other Insurance	
Car Payments	
Other Loan Payments	
Savings/Pension Contribution	
Utilities (gas, water, electric, phone)	
Credit Card Payments	
Car Upkeep (gas, maintenance, etc.)	
Clothing	
Personal Care Products (shampoo, cologne, etc.)	
Groceries	
Food Outside the Home (restaurant meals and carryout)	
Medical/Dental/Prescriptions	
Household Goods (hardware, lawn, and garden)	
Recreation/Entertainment	
Child Care	
Education (continuing education, classes, etc.)	
Charitable Donations	
Miscellaneous	
Total Expenses	
Remaining Income After Expenses (Subtract Total Income from Total Expenses)	

How Big of a Mortgage Can I Afford?

Not only does owning a home give you a haven for yourself and your family, it also makes great financial sense because of the tax benefits — which you can't take advantage of when paying rent.

The following calculation assumes a 28 percent income tax bracket. If your bracket is higher, your savings will be, too. Based on your current rent, use this calculation to figure out how much mortgage you can afford.

Rent: _____

Multiplier: x 1.32

Mortgage payment: _____

Because of tax deductions, you can make a mortgage payment — including taxes and insurance — that is approximately one-third larger than your current rent payment and end up with the same amount of income.

For more help, use Fannie Mae's [online mortgage calculators](#).

Get Your Finances in Order: To-Do List

- 1. Develop a household budget.** Instead of creating a budget of what you'd like to spend, use receipts to create a budget that reflects your actual spending habits over the last several months. This approach will factor in unexpected expenses, such as car repairs, as well as predictable costs such as rent, utility bills, and groceries.
- 2. Reduce your debt.** Lenders generally look for a total debt load of no more than 36 percent of income. This figure includes your mortgage, which typically ranges between 25 and 28 percent of your net household income. So you need to get monthly payments on the rest of your installment debt — car loans, student loans, and revolving balances on credit cards — down to between 8 and 10 percent of your net monthly income.
- 3. Look for ways to save.** You probably know how much you spend on rent and utilities, but little expenses add up, too. Try writing down *everything* you spend for one month. You'll probably spot some great ways to save, whether it's cutting out that morning trip to Starbucks or eating dinner at home more often.
- 4. Increase your income.** Now's the time to ask for a raise! If that's not an option, you may want to consider taking on a second job to get your income at a level high enough to qualify for the home you want.
- 5. Save for a down payment.** Designate a certain amount of money each month to put away in your savings account. Although it's possible to get a mortgage with only 5 percent down, or even less, you can usually get a better rate if you put down a larger percentage of the total purchase. Aim for a 20 percent down payment.
- 6. Keep your job.** While you don't need to be in the same job forever to qualify for a home loan, having a job for less than two years may mean you have to pay a higher interest rate.
- 7. Establish a good credit history.** Get a credit card and make payments by the due date. Do the same for all your other bills, too. Pay off the entire balance promptly.

What You Can Do to Improve Your Credit

Credit scores, along with your overall income and debt, are big factors in determining whether you'll qualify for a loan and what your loan terms will be. So, keep your credit score high by doing the following:

- 1. Check for and correct any errors in your credit report.** Mistakes happen, and you could be paying for someone else's poor financial management.

2. Pay down credit card bills. If possible, pay off the entire balance every month. Transferring credit card debt from one card to another could lower your score.
3. Don't charge your credit cards to the maximum limit.
4. Wait 12 months after credit difficulties to apply for a mortgage. You're penalized less for problems after a year.
5. Don't order items for your new home on credit — such as appliances and furniture — until after the loan is approved. The amounts will add to your debt.
6. Don't open new credit card accounts before applying for a mortgage. Too much available credit can lower your score.

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5 Things to Know About Homeowner's Insurance

1. **Know about exclusions to coverage.** For example, most insurance policies do not cover flood or earthquake damage as a standard item. These types of coverage must be bought separately.
2. **Know about dollar limitations on claims.** Even if you are covered for a risk, there may be a limit on how much the insurer will pay. For example, many policies limit the amount paid for stolen jewelry unless items are insured separately.
3. **Know the replacement cost.** If your home is destroyed you'll receive money to replace it only to the maximum of your coverage, so be sure your insurance is sufficient. This means that if your home is insured for \$150,000 and it costs \$180,000 to replace it, you'll only receive \$150,000.
4. **Know the actual cash value.** If you chose not to replace your home when it's destroyed, you'll receive replacement cost, less depreciation. This is called actual cash value.
5. **Know the liability.** Generally your homeowner's insurance covers you for accidents that happen to other people on your property, including medical care, court costs, and awards by the court. However, there is usually an upper limit to the amount of coverage provided. Be sure that it's sufficient if you have significant assets.

5 Things to Know About Title Insurance

Title insurance protects the holder from any losses sustained from defects in the title. It's required by most mortgage lenders. Here are five other things you should know about title insurance.