

## Can YOU afford to buy a home?

With the housing market keeping home prices and interest rates low, should you buy a home now?

Everyday local newspapers, television ads, and numerous junk mail flyers from realtors, loan officers, and banks tell you that you can afford to buy a home. Combine that pressure with the urgent advice that you should not waste a single minute with that \$8,000 tax credit deadline looming on the horizon and common sense can fly right out the window.

Purchasing a home has inherent costs no matter what city you are purchasing in. Your closing costs will vary but the basics will include, title insurance, a closing fee, appraisal fee, escrow account setup, a full year of homeowner's insurance, recording fees, accrued days of interest, and any other fees assessed by your lender. This does not include additional funds such as down payment requirements and monthly reserves.

The cost to actually buy a home is only one factor of purchasing a home. Remember it is the loan officer's job to make the deal work. This does not mean that (s)he is looking out for your best interests or at all concerned with how much money you have left at the end of the month. That is your job, and it should be. No one knows your personal expenses or how much your lifestyle costs better than you do.

Some of the items you need to consider when you are looking at your ability to afford a home include total monthly expenses. This includes everything that appears on your credit report, as well as utilities, groceries, car insurance, medical insurance etc. Your mortgage application will not take all of these items into consideration when determining how much you qualify for. Only the proposed PITI (principle, interest, taxes and insurance) payment and the items that appear on your credit report will be considered in your debt ratio.

Once you have determined what your monthly expenses are, take out the items such as utilities and increase them at least 50% more if you are currently renting an apartment and are moving to a home. If you only have electric utilities, determine if you will have a gas bill in your new home as well. Will your new home have cen-

tral air? That will also affect your monthly expenses. Add another \$100 a month for items such as your water, sewer, and garbage pickup.

Now that you have determined what you believe you will be paying a month. Let's talk about how the lender determines what mortgage amount you qualify for. The lender takes your gross yearly income and divides it by 12 months, then he will multiply that figure by about 33% to determine how much of your salary can go towards your housing costs (this is your housing ratio). Next, the lender will take that gross monthly figure and multiply it by about 45% (this is your total debt ratio) to determine how much total debt you can afford to pay each month. This figure will include your housing payment.

So, generally speaking, you can have 33% of your gross salary for housing and about 12% more for all other debt that appears on your credit report. Here is an example:

\$2400	a month gross salary =
\$792	a month for housing expense
\$1,080	a month for total debt

This means your total proposed mortgage payment including taxes and insurance and any monthly mortgage insurance is \$792. Once you subtract that number from the total debt allowed of \$1,080, you now have \$288 a month you can have in reporting monthly debt. If you have more than \$288 it will reduce your allowable housing expense by the difference between \$288 and your actual monthly debt.. So \$350 a month in debt means you now have only \$730 a month for housing.

What does all this mean for you? It means a couple of things. First, \$792 a month in housing means you will qualify for about \$105,000 at a 6% interest rate. This payment would be your PITI payment. This calculation does not take into account any down payment money or if you have to pay monthly mortgage insurance.

Mortgage insurance is required when your first mortgage loan amount is more than 80% of the purchase price. This monthly amount would reduce the total mort-

### Program Links

[HomeStarts](#)  
[Development](#)  
[Services](#)  
[SHOP](#)

### Our Mission:

"To support & develop affordable housing as a foundation upon which individuals, families and neighborhoods can build vital communities."

### Events:

**Save the Date!**  
 March 17, 2010  
**"Passport to Ireland"**  
 Fundraising Event at  
 Northern Quest Resort  
 and Casino

### Helpful Links:

### Our Locations:

Spokane Office:  
 315 W Mission Ave  
 Suite 100  
 509-484-6733

Bremerton Office:  
 409 Pacific Avenue  
 Suite 303

360-377-7738

To remove your name from our mailing list, please reply to this email "Please Remove Me From List."

Questions or comments? E-mail us at [melodyk@communityframeworks.org](mailto:melodyk@communityframeworks.org) or call 509-484-6733 ext. 116

## Can YOU afford a home cont'd.

**Program Links**

- [HomeStarts](#)
- [Development](#)
- [Services](#)
- [SHOP](#)

**Our Mission:**

“To support & develop affordable housing as a foundation upon which individuals, families and neighborhoods can build vital communities.”

**Events:**

Homestarts will be at the Spokane County Fair this year, 9/11 - 9/20.

Stop by and say Hi!

**Helpful Links:**

[www.snapwa.org](http://www.snapwa.org)

**Our Locations:**

Spokane Office:  
315 W Mission Ave  
Suite 100  
509-484-6733

Bremerton Office:  
409 Pacific Avenue  
Suite 303  
360-377-7738

gage amount you would qualify for, as it would have to be calculated as part of your monthly housing cost.

Second, your monthly housing is being calculated on your gross income but you are paying it out of your net income, after taxes and insurance and any other deductions.

Finally, your other monthly expenses are not part of this calculation in any way. This mortgage preapproval is strictly about determining your maximum mortgage amount based on the simplest means possible.

You need to compare apples to apples. So let's run through it one more time. \$2,400 a month gross, roughly translates to about \$2,016 a month net income if you assume 16% for all deductions.

<b>\$2,016</b>	<b>Net monthly income</b>
<b>-792</b>	<b>Proposed mtg. payment</b>
<b>-288</b>	<b>Reporting monthly debt</b>
<b>-175</b>	<b>Non-reporting monthly debt (ins., daycare etc.)</b>
<b>-350</b>	<b>Monthly utilities</b>
<b>\$411</b>	<b>Remaining net income for all other expenses (food, gas, etc.)</b>

Can you afford a home? You absolutely may be able to. Only you know for sure how much you are putting out each month and how much home you can afford. Do not rely on professionals in the housing business to make that decision for you. It is your job to put yourself in the best position possible to succeed in homeownership.

Down payment funds, your credit score, your total monthly debt, the type of loan product you use, and the property itself all play a factor in how affordable your monthly mortgage payment will be. Credit and debt management counseling, first time homebuyer's courses, and homebuyer education will all help you in the process to obtain an affordable monthly mortgage payment. Take advantage of all the resources available to you in your search for a home.

For more information on credit or debt management counseling and homebuyer education courses, contact Community Frameworks today at 509-484-6733, ext. 117.

Community Frameworks' self-help homeownership program offers new construction homes with affordable monthly mortgage payments, 100% financing, down payment assistance, and a credit for closing costs.

SNAP holds a monthly First Time Homebuyer Education Certificate class and they can be contacted at 509-456-7106 for upcoming class and down payment assistance information.

### Upcoming Events

Community Frameworks provides monthly credit and debt education classes, free of charge. Registration is required as class space is limited.

Contact us at (509) 484-6733 ext. 117 to reserve your spot.

**Homebuyer Education Classes**

- **Understanding Credit,** September 9<sup>th</sup>, 6 - 7 pm
- **Managing Your Finances,** September 16<sup>th</sup>, 6 - 7 pm
- **Homeownership Informational Meeting** September 28<sup>th</sup>, 6 - 7 pm

\*All classes and meetings are held at our offices at 315 W. Mission Avenue.

- ◆ **Community Frameworks booth at the Spokane County Interstate Fair,** Sept. 11<sup>th</sup> - Sept. 20<sup>th</sup>
- ◆ **Eastern State Hospital Wellness Fair,** September 24<sup>th</sup>, 10 - 2
- ◆ **Valley Pointe Informational Meeting at the Valley Library on Pines,** September 30<sup>th</sup>, 5:30 pm

Applications are available in our office Monday thru Thursday from 8 am - 7 pm. Walk ins are always welcome. Stop by today and find out how we can help you achieve homeownership.

Check out our website for additional events and project information.

[www.communityframeworks.org](http://www.communityframeworks.org)

### CF Happenings

Community Frameworks will be at the Spokane County Interstate Fair this year with a booth of our own. The Fair runs from September 11th thru September 20th. We will be raffling off a BBQ grill and hope to see you there.

Infrastructure is well underway at Valley Pointe and will be complete in a few weeks. Stop by the office to learn more about our exciting townhome development at Valley Pointe.

Community Frameworks was awarded four Americorp Vista positions from Neighborworks® America and our newest recruits will be starting this month. They will be assisting with our homeownership efforts and revitalizing the East Central neighborhood.