

# First Home<sup>®</sup> purchase plan

Helping you start down the path to homeownership

Date: \_\_\_\_\_

Prepared For: \_\_\_\_\_

By: \_\_\_\_\_

Follow-up Meeting Date: \_\_\_\_\_

Phone: \_\_\_\_\_

# Section A: Begin by determining your potential loan amount

## Ten steps to estimating your current home purchase power

- 1 The most common qualifying guidelines allow you to devote a maximum of 36% of your gross monthly household income to your combined debt payments (mortgage, car loan, credit cards, etc).

What is your current gross (pre-taxed) monthly household income? \$ \_\_\_\_\_

What is the sum of all your monthly household debt payments (car loans, credit cards, student loans, etc.)?

\$ \_\_\_\_\_

*The example is an illustration only, and may not be applicable to all customers. Your home mortgage consultant can discuss other options with you.*

- 2 Using the above qualifying guidelines for your income and debt, it appears you could qualify for a total (Principal, interest, taxes and insurance or PITI) monthly mortgage payment between \$ \_\_\_\_\_ and \$ \_\_\_\_\_.

- 3 How long do you expect to live in your home? (Average is 5-7 years) \_\_\_\_\_ years.

- 4 Using the information above, and for the purposes of this Purchase Plan, the following estimate will be based on the current interest rate of \_\_\_\_\_% for a \_\_\_\_\_-year \_\_\_\_\_ - rate loan.  
fixed/adjustable

- 5 Based on the information provided, an estimated loan amount for this type of mortgage would range between \$ \_\_\_\_\_ and \$ \_\_\_\_\_. (Please note the range could be different for other types of loans.)

- 6 How much in savings/investments do you currently have ready to use for a home purchase? \$ \_\_\_\_\_

- 7 Where are you thinking of buying a home? \_\_\_\_\_

- 8 In this area, closing costs generally run \_\_\_\_\_% of the mortgage amount. The closing costs and prepaids will be approximately \$ \_\_\_\_\_.

*Prepaids are that portion of your loan closing costs which must be collected at closing to cover taxes, interest and insurance.*

- 9 That appears to leave you with enough money to make a down payment of approximately \$ \_\_\_\_\_.

*If this amount is less than 20% of the home purchase price, you may need to pay for private mortgage insurance which may add to your monthly payment cost. There are financing alternatives to private mortgage insurance including home equity financing. If you are in this situation, be sure to discuss financing alternatives with your home mortgage consultant.*

- 10 An estimated mortgage amount range, plus anticipated down payment, gives you an idea of a home purchase price range.

### Lower price range estimate:

Mortgage Amount \_\_\_\_\_ + Down payment \_\_\_\_\_ = \$ \_\_\_\_\_ purchase price.

### Higher price range estimate:

Mortgage Amount \_\_\_\_\_ + Down payment \_\_\_\_\_ = \$ \_\_\_\_\_ purchase price.

## Section B: Look at the “big picture” cost of homeownership

### There’s your mortgage payment...

- A. Principal & interest \$ \_\_\_\_\_ ( gradual repayment of the amount borrowed plus the interest charged for the loan)
- B. Property tax \$ \_\_\_\_\_ (estimate as \_\_\_\_\_% of your purchase price for an annual cost)
- C. Homeowners insurance \$ \_\_\_\_\_ (annual coverage costs to protect your home from hazards can be estimated at \_\_\_\_\_% of the home value)
- D. Mortgage insurance \$ \_\_\_\_\_ (may be required if your down payment is less than 20%; financing alternatives may be available)
- E. Homeowner association dues \$ \_\_\_\_\_ (common fees for condominium, co-op and townhome owners)
- Total mortgage payment \$ \_\_\_\_\_ (principal + interest + taxes + insurance)

Wells Fargo Home Mortgage looks at your total monthly mortgage payment to see how it balances with your monthly income. We also look at your total monthly debt (like credit cards and other loans) to see how that debt, plus your total monthly mortgage payment balances with your monthly income.

However, to get yourself comfortable with your monthly expenses, you should also keep the costs of managing a home in mind. When you are ready to place an offer on a home, have your real estate agent ask the seller for a copy of the home’s utility bills. Also, when you have your home inspection be sure to discuss what repairs need to be done immediately with the inspector and get estimates.

### Plus the costs of managing a home...

- Electric service \$ \_\_\_\_\_
- Heating service \$ \_\_\_\_\_
- Water service \$ \_\_\_\_\_
- Trash service \$ \_\_\_\_\_
- Misc. maintenance \$ \_\_\_\_\_
- Total management costs \$ \_\_\_\_\_

Total anticipated monthly Housing expense \$ \_\_\_\_\_ (total mortgage payment + total management costs)

### Stay motivated. Trim the extras!

Understanding your total expenses will help you know if you will need to make adjustments to your other monthly expenditures. Maybe it will be eating out less or getting basic cable service instead of premium cable. Working toward your goal of homeownership is a great incentive for managing your money. You may need to stretch a little to achieve homeownership, but only you can decide how much of a stretch you can manage to make.

*Please remember that your estimated purchase price range is based on:*

- **Current interest rates.** If rates increase, your range could potentially be lower. If rates decrease, your purchase price range could potentially be higher.
- **Your current income.** If your household income were to increase, your purchase price range could be higher.
- **Your current savings.** The more money you have saved and the larger your down payment, the higher your purchase price range could be.
- **One product type.** If you choose or require a different type of mortgage loan, your purchase price range could change.
- **Your estimated mortgage payment.** Most mortgage guidelines consider your estimated mortgage payment *PLUS* your other debt (such as auto, student, and personal loans, and credit card balances) allowing you to devote 36% to of your pre-tax monthly income to your total monthly debt, depending on the loan product.

## Section C: Talk about credit

Your credit history and debt obligations are important factors in your ability to be approved for a mortgage. The good news is that there are many different kinds of mortgage financing options available — even for those with credit challenges or more than the average debt. Of course if you have good-to-great credit and little debt, there may be benefits like low interest rates.

It would be inappropriate for Wells Fargo Home Mortgage to speculate about your ability to be approved until you are ready to make a formal loan application. But it is highly suggested that you review your credit history while you are in the home purchase planning stage.

### *Have you seen your credit report lately?*

Once a year you're entitled a free credit report from each of the three major credit agencies. To get these free credit reports, you must order them through [www.annualcreditreport.com](http://www.annualcreditreport.com) or call 1-877-322-8228.

You are also entitled to a free credit report within 60 days of being denied credit. Just go online or call one of the following credit reporting agencies:

- Equifax: [www.equifax.com](http://www.equifax.com) or 1-800-685-1111
- Experian: [www.experian.com](http://www.experian.com) or 1-888-397-3742
- TransUnion: [www.transunion.com](http://www.transunion.com) or 1-800-916-8800

### *Calculate your monthly debt obligations*

- If your monthly mortgage payment plus your monthly debt payment is greater than 36% of your income *before* taxes, you should work to reduce your debt. Start by targeting credit cards and loans with the highest interest rates.

## Stay motivated. Keep your credit in good shape!

- Check your credit report frequently for errors, including account activity and late payment entries you believe are inaccurate.
- Write a letter to the credit agency and the creditor if you find any errors. Include copies of any cancelled checks or receipts and explain the error in detail.
- Pay your bills on time.
- If you have a lot of debt, you may want to target one or two high interest rate accounts and work on paying those off first.
- If you have a limited credit history, you may apply for a credit card and use it for small purchases, paying off the balance in full each month.

## Section D: Set purchase-minded goals

### *What if you don't think you can purchase the home you want even with a small down payment?*

Think of your first home as a stepping stone to the home of your dreams, and consider looking into one or more of the following alternatives:

- Homes in lower-priced areas
- Smaller homes with less land or fewer amenities
- “Fixer-upper” homes (think about our **Purchase & Renovate**<sup>SM</sup> loans)
- Condos, co-ops or two-family homes
- Wait until you've saved up more money

Whether you need more money to qualify for a mortgage, or to be able to buy a more expensive home, setting hard and fast savings goals is one way to get there.

## Section D: Purchase-minded goals (continued)

### Prepare to go the distance

Total amount you think you need: \$ \_\_\_\_\_ (Include closing costs, down payment, and a savings cushion)

Your current savings: \$ \_\_\_\_\_

Difference: \$ \_\_\_\_\_ (Depending on your circumstances this is how much you may need to save)

Purchase date goal: \_\_\_\_\_

Number of months away: \_\_\_\_\_

Monthly savings goal: \$ \_\_\_\_\_ (Move closer to your goal month by month)

### Find a home you can purchase

Do you know if there are homes in this price range in the area where you would like to buy?  Yes  No

Have you checked online at Realtor.com?  Yes  No

Here are some real estate agents at different agencies who can help you look for a home in this price range:

1. Agent name: \_\_\_\_\_ Phone #: \_\_\_\_\_

2. Agent name: \_\_\_\_\_ Phone #: \_\_\_\_\_

3. Agent name \_\_\_\_\_ Phone #: \_\_\_\_\_

Note: If your home mortgage consultant has internet access during this interview, ask for help in researching the median home price in your area and/or the number of homes for sale in your price range through [www.realtor.com](http://www.realtor.com).

### Stay motivated. Take money-saving steps!

- Open a dedicated **Wells Fargo® Savings** account to save for your first home purchase
- You could choose to have a set amount automatically deposited in the account every month, including:
  - A reasonable portion of your paycheck
  - Money you've been spending on non-essentials
  - Money you receive from a raise or bonus
  - Other \_\_\_\_\_
  - Other \_\_\_\_\_
- Consider getting a part-time job and depositing the extra earnings in your home purchase account

Some aspiring homebuyers qualify for local down payment assistance programs.

Here are some area programs to look into:

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

**Louis Candell**

Home Mortgage Consultant  
Wells Fargo Military Certified  
Phone: 800-987-6786  
<http://louiscandell.com>  
[louis.candell@wellsfargo.com](mailto:louis.candell@wellsfargo.com)  
NMLSR ID 442652



102830 - 07/14

REV 2/14