

# Realizing The American Dream

## Buying vs. Renting

Trends in home prices, personal income and mortgage rates, combined with the tax advantages of home ownership, make this an excellent time to turn the home of your dreams into a reality. If you're thinking of buying a home, you've probably already asked yourself, "Can I afford to buy?" Another good question to ask is, "Can I afford to continue renting?" No matter what you're currently paying for rent, your total cash outlay over a period of several years will probably add up to a much higher total than you may have realized. The following chart shows how quickly the rent payments you're making add up figuring in what this money would earn invested at 5 percent interest.

## Mortgage Rates

As a rule of thumb, a one point drop in mortgage rates means that half a million more families will qualify for affordable financing. Yours could be one of them!



Rates for conventional, 30-year fixed rate mortgages remain at historically low levels and increasingly popular alternate forms of financing may make your loan even more affordable. Your real estate agent or broker can provide information on the types of financing plans available to you.

## Homeowner Tax Advantages

When you're figuring out how much you can afford to commit to monthly mortgage payments, don't forget the tax advantages of home ownership. Both property taxes and interest payments on

a mortgage for an owner occupied home are currently tax-deductible. In the early years of a typical mortgage, all but a small percentage of each monthly payment is used to pay off the interest on the loan. This means that as a homeowner, your annual taxable income could be substantially reduced by deducting the payments you make on property taxes and yearly mortgage interest. Ask your CPA, attorney or tax preparer how buying a home now would affect your tax situation at the next filing deadline on April 15th.



Rent Per Month	Rent Payment 10 years	Rent Payment 20 years	Rent Payment 30 years
\$400	\$62,113.00	\$164,413.00	\$332,903.00
\$500	\$77,641.00	\$205,517.00	\$416,129.00
\$600	\$93,169.00	\$246,620.00	\$499,355.00
\$700	\$108,698.00	\$287,724.00	\$582,581.00
\$800	\$124,226.00	\$328,827.00	\$665,807.00
\$900	\$139,754.00	\$369,930.00	\$749,033.00
\$1,000	\$155,282.00	\$411,034.00	\$832,259.00
\$1,100	\$170,811.00	\$452,137.00	\$915,484.00
\$1,200	\$186,339.00	\$493,240.00	\$998,710.00
\$1,500	\$232,923.00	\$616,551.00	\$1,248,388.00
\$2,000	\$310,565.00	\$822,067.00	\$1,664,517.00
\$2,500	\$388,206.00	\$1,027,584.00	\$2,080,647.00

*With the money you are currently spending on rent, you could be building equity in your own home. Keep in mind, too, that over the years your income most likely will increase faster than any increase in your mortgage payment. Rent payments, on the other hand, tend to increase – right along with your paycheck.*

## Home Value Appreciation

In addition to tax advantages, you can also benefit from any increase in the value of your home both through appreciation and improvements you add for your own comfort and enjoyment.

*You Can Make Home Ownership A Reality. Just See Your Local REALTOR®*

Take a good look at your personal financial situation in comparison to housing price trends and mortgage plans available in your community. You will probably discover that you are closer to home ownership than you realized. And that, in fact, this is the time you've been waiting for. Buying a home is probably one of the biggest investments you'll ever make. And when it's your first home, it is especially important that you seek qualified assistance. Your local real estate agent or broker has the experience and expertise to help you find – and purchase – the home of your dreams.



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# HOW MUCH HOME CAN YOU AFFORD?

## Home Mortgage Qualifying Worksheet

Home prices, interest rates, and tax deductions combine to make this a great time to buy! How to use this worksheet: Estimate the purchase price of the home you would like to buy and the downpayment you can afford. Complete each entry based upon this assumption and your personal financial situation.

**Monthly Gross Income**  
 Borrower's annual income \$ \_\_\_\_\_  
 Co-borrower's annual income + \_\_\_\_\_  
 Total gross annual income \$ \_\_\_\_\_  
 Divide total gross annual income by 12 ÷ 12 \_\_\_\_\_

**A. Total monthly gross income** \$ \_\_\_\_\_  
*Allowable Monthly Housing Cost*  
 Total monthly gross income (Insert Line A) \$ \_\_\_\_\_  
 Multiply by 28% x .28 \_\_\_\_\_

**B. Allowable monthly housing cost** \$ \_\_\_\_\_  
*Mortgage Amount*

**C. Home purchase price** \$ \_\_\_\_\_  
 Subtract downpayment - \_\_\_\_\_

**D. Mortgage loan amount** \$ \_\_\_\_\_  
*Monthly Taxes and Insurance*  
 Home purchase price (Insert Line C) \$ \_\_\_\_\_  
 Multiply by .0015 (Local requirements vary) x .0015 \_\_\_\_\_

**E. Estimated monthly taxes and insurance** \$ \_\_\_\_\_  
*Monthly Housing Cost*  
 Monthly payment (P & I) on 30-year loan  
 (Use chart below based on Line D) \$ \_\_\_\_\_  
 Estimated monthly taxes and insurance  
 (Insert Line E) + \_\_\_\_\_  
 Condo or homeowner's fee (If applicable) + \_\_\_\_\_

**F. Total monthly housing cost** \$ \_\_\_\_\_  
*Allowable Monthly Debt*  
 Total monthly gross income (Insert Line A) \$ \_\_\_\_\_  
 Multiply by 36% x .36 \_\_\_\_\_

**G. Allowable total monthly debt** \$ \_\_\_\_\_  
*Other Monthly Debt Payments*  
 Car payment \$ \_\_\_\_\_  
 Credit-card payments + \_\_\_\_\_  
 Student loan + \_\_\_\_\_  
 Other \_\_\_\_\_  
 (Anything that won't be paid off in 6 mos. or less) + \_\_\_\_\_

**H. Total other monthly debt payments** \$ \_\_\_\_\_  
*Total Monthly Cost*  
 Total monthly housing cost (Insert Line F) \$ \_\_\_\_\_  
 Total other monthly debt (Insert Line H) + \_\_\_\_\_

**I. Total monthly cost** \$ \_\_\_\_\_

If your Monthly Housing Cost (F) is not more than your Allowable Monthly Housing Cost (B), and your Total Monthly Cost (I) is not more than your Allowable Monthly Debt (G), you may qualify for this mortgage. And, when you buy, rely on Chicago Title to protect your ownership rights. We are proud to be a member of your real estate team.



Loan Amount	Interest Rates											
	5.0%	5.5%	6.0%	6.5%	7.0%	7.5%	8.0%	8.5%	9.0%	9.5%	10%	10.5%
\$70,000	\$376	\$397	\$420	\$442	\$466	\$489	\$514	\$538	\$563	\$589	\$614	\$640
\$80,000	\$429	\$454	\$480	\$506	\$532	\$559	\$587	\$615	\$644	\$673	\$702	\$732
\$90,000	\$483	\$511	\$540	\$569	\$599	\$629	\$660	\$692	\$724	\$757	\$790	\$823
\$100,000	\$537	\$568	\$600	\$632	\$665	\$699	\$734	\$769	\$805	\$841	\$878	\$915
\$110,000	\$591	\$625	\$660	\$695	\$732	\$769	\$807	\$846	\$885	\$925	\$965	\$1,006
\$120,000	\$644	\$681	\$719	\$758	\$798	\$839	\$881	\$923	\$966	\$1,009	\$1,053	\$1,098
\$130,000	\$698	\$738	\$779	\$822	\$865	\$909	\$954	\$1,000	\$1,046	\$1,093	\$1,141	\$1,189
\$140,000	\$752	\$795	\$839	\$885	\$931	\$979	\$1,027	\$1,076	\$1,126	\$1,177	\$1,229	\$1,281
\$150,000	\$805	\$852	\$899	\$948	\$998	\$1,049	\$1,101	\$1,153	\$1,207	\$1,261	\$1,316	\$1,372
\$160,000	\$859	\$908	\$959	\$1,011	\$1,064	\$1,119	\$1,174	\$1,230	\$1,287	\$1,345	\$1,404	\$1,464
\$170,000	\$913	\$965	\$1,019	\$1,075	\$1,131	\$1,189	\$1,247	\$1,307	\$1,368	\$1,429	\$1,492	\$1,555
\$180,000	\$966	\$1,022	\$1,079	\$1,138	\$1,198	\$1,259	\$1,321	\$1,384	\$1,448	\$1,514	\$1,580	\$1,647
\$190,000	\$1,020	\$1,079	\$1,139	\$1,201	\$1,264	\$1,329	\$1,394	\$1,461	\$1,529	\$1,598	\$1,667	\$1,738
\$200,000	\$1,074	\$1,136	\$1,199	\$1,264	\$1,331	\$1,398	\$1,468	\$1,538	\$1,609	\$1,682	\$1,755	\$1,829
\$210,000	\$1,127	\$1,192	\$1,259	\$1,327	\$1,397	\$1,468	\$1,541	\$1,615	\$1,690	\$1,766	\$1,843	\$1,921
\$220,000	\$1,181	\$1,249	\$1,319	\$1,391	\$1,464	\$1,538	\$1,614	\$1,692	\$1,770	\$1,850	\$1,931	\$2,012
\$230,000	\$1,235	\$1,306	\$1,379	\$1,454	\$1,530	\$1,608	\$1,688	\$1,769	\$1,851	\$1,934	\$2,018	\$2,104
\$240,000	\$1,288	\$1,363	\$1,439	\$1,517	\$1,597	\$1,678	\$1,761	\$1,845	\$1,931	\$2,018	\$2,106	\$2,195
\$250,000	\$1,342	\$1,419	\$1,499	\$1,580	\$1,663	\$1,748	\$1,834	\$1,922	\$2,012	\$2,102	\$2,194	\$2,287

Chart Source: California Association of REALTORS®. Worksheet reprinted courtesy of the Federal National Mortgage Association and the California Association of REALTORS®.

