



For more mortgage information, including current rates and calculators, visit us at [bestmoves.com](http://bestmoves.com)

**W**hen buying a home, it is helpful to determine the type of home you'd like and how much you can afford, before beginning your search. Most lenders allocate approximately 28% of your gross monthly income to housing expense. Housing expense includes principal, interest, taxes, and insurance (PITI). To get an idea of how much you can afford to pay each month for a house, multiply your gross monthly income by 28%.

When coupled with current outstanding loans, the total for your debt service should not exceed 36% of your gross monthly income. Some lenders may have slightly more liberal requirements or lower interest rates which may increase your purchasing power.

Lenders price ARM's to work for certain customers. They make sense if you plan to live in a house for only a couple of years, for example. If you're staying longer, fixed-rate loans are better for locking in a low rate.

**Preapproval**

Some mortgage lenders take the guesswork out of applying for a loan by figuring out for you the amount you can afford to borrow. They then give you a printed document stating the maximum mortgage amount you qualify for.

Mortgage preapproval establishes your price range and strengthens your buying position by letting the seller know that you have already been approved for the loan.

**Current Tax Laws**

Mortgage interest, property taxes, and loan fees, or "points," are currently tax deductible. Points are generally deductible in the year paid. A point equals 1% of the mortgage amount. If you are in the 28% tax bracket, this is equivalent to receiving a 28% discount on your mortgage interest and prop-

erty taxes. During the first years of the mortgage your tax savings are especially high because most of your monthly payment goes toward loan interest.

**Closing Costs**

Some lenders today can now offer first mortgages at no closing cost. Out of pocket expense is limited to the down payment and beginning escrow accounts for taxes and insurance. Some limitations may apply.

You can usually improve your interest rate by paying a point or two at the closing. This is a good idea if you plan on staying at least 4-5 years in your home.

To determine your monthly mortgage payment, find your interest rate in the rate column. Then move across to the column that indicates the term of your loan. That

number is the interest rate factor. Multiply that number by the number of 1000's you plan to finance. (If you're financing \$100,000, multiply by 100.)

**Here's an example:**

Current interest rate: ..... 6.5%  
 Term of loan: ..... 30 years  
 Mortgage Amount: ..... \$100,000  
 100 x 6.33 = \$633  
 Your mortgage payment is \$665.

**Mortgage Payment Guide**

Factors per \$1000		
INTEREST RATE	TERM 15 YEARS	TERM 30 YEARS
6	8.44	6.0
6¼	8.58	6.16
6½	8.72	6.33
6¾	8.85	6.49
7	8.99	6.65

