



Consumer Education Series:

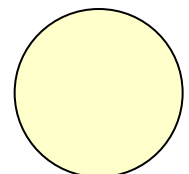
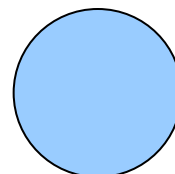
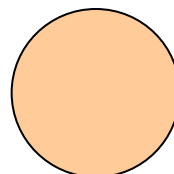
Homeowner Budgeting

What is a budget?

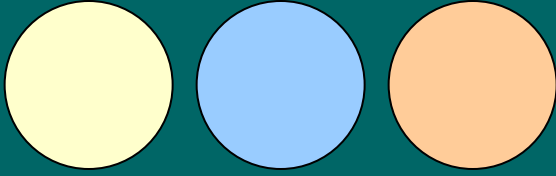
A budget is a written plan that lays out your income and expenses as precisely as possible. Budgets and spending plans are critical to using credit wisely and to meeting financial goals, such as saving up for your down payment or making a monthly mortgage payment. With the tips provided in this publication, you'll uncover your spending patterns and discover places where you can save. Creating a budget now can help you reach your down payment goal faster and help you determine whether you'll be able to manage your mortgage payment as well as your current expenses when you are a homeowner.

Budget Your Way To A Better Standard of Living!

If there is one reason why most attempts at budgeting fail, it is the “*you must cut expenses 'til it hurts*” mentality. When establishing a budget, it's easy to look only superficially at expenses and start slashing. For most households, the biggest or most obvious expenses are mortgage or rent payments, utilities, food, transportation, clothing and entertainment.



Simple Changes...



Big Results

Following the “cut ’til it hurts” plan, you could:

- move to a less expensive neighborhood or apartment
- reduce home heating by keeping the thermostat at 62°
- cut air conditioning expenses by cooling to only 80°
- walk or ride a bike to work
- avoid clothing purchases
- eliminate entertainment expenses

Adhering to such a budget would certainly amount to enormous savings, but what would it do to your quality of life? You need a budget that will help you guide your spending so that you can enjoy your life.

Budgeting Doesn't Have To Hurt

It really is too bad that there are so many negative perceptions about budgeting. A well-thought-out household budget can be the single-most powerful means of improving your standard of living. Believe it or not, unless you are in dire financial trouble, there is no reason it should be a painful experience. On the contrary, budgeting will improve your financial condition and may help you eliminate possible future financial difficulties.

Identify Your Expenses

One of the most challenging aspects of budgeting is not cutting expenses, but rather, identifying them. The best place to begin is to keep a detailed record of all income and expenses. This record should include all of your expenses, right down to the change used for the parking meter.

Although challenging, identifying your expenses can be an enlightening and positive experience. You really see where your money is going! Once you see where your money is spent on a daily basis, a snapshot of your monthly expenditures comes into focus. At this point, the hard work is done.

Thinking Ahead

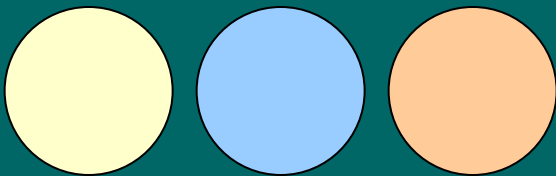
To be successful as a homeowner, it will be important to set aside funds in your monthly budget for home maintenance. It costs money to own a home, and you will continually incur a variety of expenses. Budgeting for these expenses monthly will help you identify, plan for and effectively manage the costs associated with owning your home. It will also help you establish a plan to address day-to-day maintenance, as well as create a strategy for financing major improvements and allocating funds to meet emergency maintenance needs.

Get It Down in Writing

It's one thing to say that you're going to put yourself on a budget. However, walking your talk takes effort. It's easy to become overwhelmed by those good intentions. Keep your promise to yourself by writing down your budget. That way you've organized it, quantified it and given it a manageable size. There's nothing scary about a little sheet of paper now, is there?

The Monthly Spending Planner (next page) is a simple tool to help you put your budget on paper. The Planner is designed to help you compare your income and expenses before and after homeownership.

It will take some thought and time to develop your budget. You may have to do some research, make some calls, and ask some questions to get the job done. If you do your homework, you'll have something many homebuyers lack: a clear picture of the price of being a successful homeowner.





Make Simple, Logical Changes

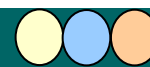
Once you understand where your money is going, it's usually easy to see where changes can be made. You'll find that you don't have to make big changes that sap the enjoyment out of life. Simple, logical changes in your spending habits can have a meaningful impact on your lifestyle. Small sacrifices can add up to significant savings.

Perhaps you'll decide to discontinue the cable TV service — or at least get rid of a premium channel. Maybe you'll bring your lunch to work more often and dine out one less time per month. Maybe you'll look at your cellular phone bill and get rid of unnecessary fees like texting. Or cancel subscriptions to the unread magazines that are piling up, on your coffee table.

These are insignificant changes, but they could add up to meaningful savings over the course of a month or a year. This first budget may be the most challenging; but after your first year as a homeowner, you'll have receipts and records that will help make the job easier — and even more valuable — as time goes on.



Tips For Successful Budgeting



Talk With Members of Your Family

Consider each person's needs and wants so that all family members feel they are a part of the plan. If everybody realizes the rewards, they may work harder to make the budget succeed and be less inclined to overspend. When families don't talk about money matters, it is unlikely that they will budget successfully.

Be Specific

If goals are vague, objectives may never be met and you and other household members may have different ideas of what the end result should be.

Exercise Will Power

Try not to overspend — opportunities to do so will occur daily. Each family member needs to encourage the others to stick to the plan.

Develop a Record-Keeping System

This will show how well you are following the plan and will allow you to adjust your spending to meet your goals.

Be Prepared To Compromise

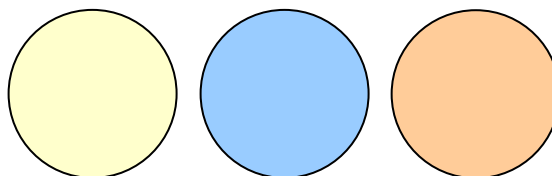
If, for example, one person wants to pay cash for things and the other prefers to buy on credit, they will need to discuss the pros and cons of both methods and decide on a middle ground each can accept. A plan cannot succeed unless there is a financial partnership.

Set Realistic Goals

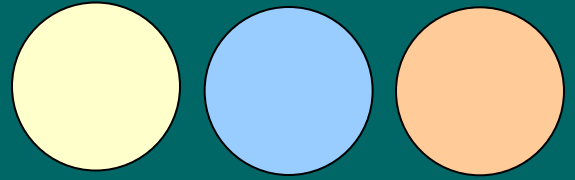
Setting the bar too high may lead to frustrations that could cause you to abandon your plan.

Be Flexible

Your plan will require adjustments to keep up with your changing lifestyle and financial situation. Don't make a budget that is so rigid that each new development requires an entirely new plan.



Monthly Spending Planner



Tips For Completing Your Monthly Spending Planner

A Monthly Spending Planner shows you how you spend your money, based on your income and expenses.

Income is the money you expect to receive every month. Include take-home pay and any other sources of income, such as interest, Social Security benefits, pension payments, alimony, child support, workers' compensation, unemployment and disability.

If your earnings are irregular — for example, from commissions — it's better to underestimate than overestimate your income.

Expenses

Expenses are what you spend money on. Some expenses stay the same from month to month, like your rent or mortgage payment. Variable expenses can change from month to month and are a major challenge to any spending plan. Variable expenses include food, clothing utilities and transportations.

Reserves

Build in reserves for living expenses. It's good practice to have 3 to 6 months' living expenses in savings. You'll need to calculate and total expenses for 3 to 6 months for your reserve total and decide how long you will need to save this reserve amount, for example, 12, 24 or 36 months. Divide the living expense reserve total by the number of months to determine how much you will need to set aside in savings each month to reach this goal.

After you complete the Planner, compare your expenses to your income. If your income is considerably greater, you may want to increase your savings contributions. Doing so may help you reach your down payment goals sooner.

If your income is less than your total expenses, you need to examine your expenses for opportunities to cut back to eliminate the difference.

This publication is brought to you by Mortgage Training Concepts, LLC., the nation's leading provider of mortgage education to consumers and industry professionals. Visit our website at www.mortgageeducationconcepts.com for comprehensive information, other Consumer Education pieces and education opportunities.



Net Monthly Income From All Sources			
Monthly Expenses	Description	Actual Monthly Payment	Budgeted Monthly Payment
Monthly Payments	Rent/Mortgage		
	Alimony/Child Support		
	Child Care		
Loans	Automobile		
	Automobile		
	Furniture		
	Finance Company		
	Installment Loans		
Credit Cards	Visa/MasterCard		
	Other		
	Other		
Utilities	Heat/Electricity		
	Telephone/Cable		
	Water/Sewer		
Insurance	Auto/Health/Life		
	Homeowners/Renters		
	Other		
Donations/Dues	Church/Other		
Medical	Doctor/Dentists		
	Prescriptions/Hospital		
Transportation	Gas		
	Maintenance		
	Parking/Public Transp.		
Food	Groceries		
	School/Work Lunches		
Clothing	New Clothes		
	Laundry/Dry Cleaning		
Household	Repairs		
	Supplies/Other		
	Other		
Miscellaneous	Entertainment		
	Vacation		
	Gifts/Other		
Savings	Savings Account		
	Other		
Total			

