

with less than a 20% down payment, your lender will require you to purchase private mortgage insurance (PMI), which will increase your monthly payment.

You'll need additional money to cover closing costs: lender fees, property appraisal, escrow payments, and more. And once you're an owner, you'll face ongoing expenses for routine maintenance that protects your investment.

Using the tables

Over the life of your loan, your mortgage amortizes. That's the process by which you gradually pay down the loan. In the early years of your mortgage, most of your payment goes toward interest. As years go by, your payment gradually shifts between principal and interest until, by the last year, almost all your payment is toward principal.

There is a mind-boggling assortment of types of mortgages to choose from—such as fixed-rate or adjustable rate—plus terms to choose from, such as 15, 20, or 30 years.

If you can afford the bigger monthly payments that come with a 15-year mortgage, you'll drastically reduce the total interest you pay over the life of the loan.

The tables show you the total interest paid over the life of a loan for a 15-, 20-, and 30-year mortgage. Each table assumes a \$150,000 loan and a \$30,000 down payment on a house priced at

\$180,000 (slightly above the national average).

Use these tables to get an idea of what your monthly payments will be and how interest rate and loan term will affect payments. Remember to also allow for property taxes, private mortgage insurance, and property insurance. For more specific information, talk with a mortgage loan officer at your credit union.

SAMPLE



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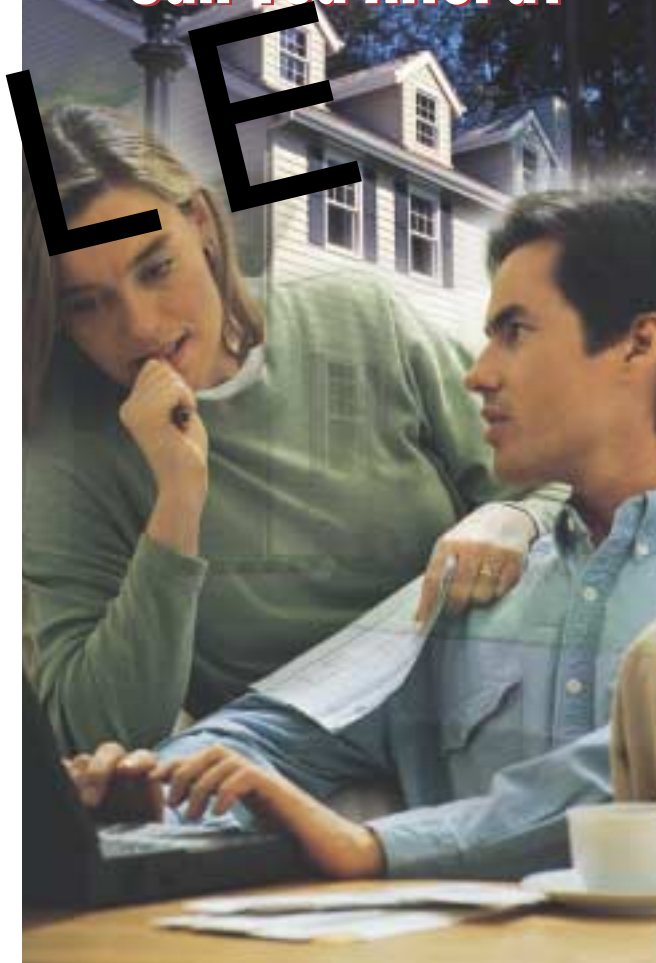
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How Much House Can You Afford?



Congratulations, you've decided to buy a house. Can you afford it? Becoming a homeowner is fun and rewarding, but it also can be stressful. The more prepared and educated you are about the home buying process, the less stress you'll encounter.

After you've determined your personal readiness to buy a house, such as narrowing down a location and if you'll enjoy maintaining a house, the next thing you need to do is crunch some numbers to find out how much house you can afford.

To estimate an affordable monthly payment, the

majority of lenders use the classic 28/36 guideline. First, your monthly house payment (including mortgage principal and interest, property taxes, and home insurance) should amount to no more than 28% of your monthly gross income (what you earn before income taxes, Social Security, and other deductions come out of your paycheck).

Second, total monthly debt obligations (mortgage, car payments, credit cards, and college loans) should not exceed 36% of your monthly gross income. Guidelines vary and special programs exist

In the early years of your mortgage, most of your payment goes toward interest.

your cost to own a house, keep in mind that your down payment—most mortgage lenders typically require a down payment equal to at least 5% of a home's purchase price—and monthly payments are only part of the cost of buying. If you buy a house

for low-income borrowers that may stretch the qualifying numbers to 33/38, for example.

In calculating

How Interest Rate and Loan Term Affect Affordability

SAMPLE

Interest rate	Monthly payment*	Total interest paid over life of loan**
4.0%	\$716	\$107,804
4.5	760	123,610
5.0	805	139,884
5.5	852	156,606
6.0	899	173,757
6.5	948	191,317
7.0	998	209,263
7.5	1,049	227,576
8.0	1,101	246,233
8.5	1,153	265,213
9.0	1,207	284,496
9.5	1,261	304,061
10.0%	\$1,316	\$323,889

Interest rate	Monthly payment*	Total interest paid over life of loan**
4.0%	\$909	\$68,153
4.5	949	77,754
5.0	990	87,584
5.5	1,032	97,639
6.0	1,075	107,915
6.5	1,118	118,406
7.0	1,163	129,108
7.5	1,208	140,014
8.0	1,255	151,118
8.5	1,302	162,416
9.0	1,350	173,901
9.5	1,398	185,567
10.0%	\$1,448	\$197,408

Interest rate	Monthly payment*	Total interest paid over life of loan**
4.0%	\$1,110	\$49,716
4.5	1,147	56,548
5.0	1,186	63,514
5.5	1,226	70,613
6.0	1,266	77,841
6.5	1,307	85,199
7.0	1,348	92,684
7.5	1,391	100,293
8.0	1,433	108,026
8.5	1,477	115,880
9.0	1,521	123,852
9.5	1,566	131,941
10.0%	\$1,612	\$140,143

*Assumptions: fixed-rate mortgage and a loan amount of \$150,000 after a down payment of \$30,000; monthly payment does not include private mortgage or property insurance or taxes.
** Figures are approximate

Source: CUNA's economics and statistics department