

## Monthly Spending Plan

The following spending plan is broken down into several types of expenses: fixed, periodic fixed, flexible and indebtedness. Depending on your situation, some expenses (for example, a cell phone) may be considered flexible rather than fixed expenses. Be sure to adjust the categories to reflect your needs and lifestyle.

Monthly Expense	Budgeted Amount	Actual Spent	Difference
<b>Fixed Expenses</b>			
<b>Housing</b>			
Rent or Mortgage			
Heating (gas or oil)			
Electricity			
Telephones (land lines and cell phones)			
Other:			
<b>Transportation</b>			
Gas			
Car Payment			
Public Transportation or Taxi			
Parking and Tolls			
Other:			
<b>Insurance</b>			
Health (medical and dental, if not payroll-deducted)			
Life			
Disability			
Other:			
<b>Child Care</b>			
Child Care or Babysitters			
Child Support or Alimony			
<b>Fixed Expenses Subtotal:</b>			
<b>Periodic Fixed Expenses (Divide annual payment by 12)</b>			
<b>Housing</b>			
Renters or Homeowners Insurance (if not included in mortgage)			
Water or Sewage			
Trash Service			
Other:			
<b>Transportation</b>			
Car Insurance			
Car Inspection			
Car Repairs and Maintenance			
License Plates and Registration Fees			
Other:			
<b>Periodic Fixed Expenses Subtotal:</b>			

## Understanding Your Options: Manufactured Housing

Monthly Expense	Budgeted Amount	Actual Spent	Difference
<b>Flexible Expenses</b>			
<b>Food</b>			
Groceries			
School Lunches			
Work-Related (lunches and snacks)			
Other:			
<b>Housing</b>			
Home Maintenance and Furnishings			
Cleaning Supplies			
Lawn Care			
Other:			
<b>Medical</b>			
Doctor			
Dentist			
Prescriptions			
Other:			
<b>Savings</b>			
Emergency Fund			
Down Payment Fund			
<b>Clothing</b>			
Clothing			
Laundry and Dry Cleaning			
Other:			
<b>Education</b>			
Tuition			
Books, Papers and Supplies			
Newspapers and Magazines			
Lessons (sports, dance, music)			
Other:			
<b>Donations</b>			
Religious or Charity			
Other (if not payroll deducted):			
<b>Gifts</b>			
Birthdays			
Major Holidays			
Other:			
<b>Personal</b>			
Barber or Beauty Shop			
Toiletries			
Children's Allowances			
Tobacco Products			
Beer, Wine, Liquor			
Other:			

## Understanding Your Options: Manufactured Housing

Monthly Expense	Budgeted Amount	Actual Spent	Difference
<b>Entertainment</b>			
Movies, Sporting Events, Concerts, Theater, Etc.			
Video Rentals			
Internet Service			
Cable/Satellite TV			
Restaurants and Take-Out Meals			
Gambling or Lottery Tickets			
Fitness or Social Clubs			
Vacations/Trips			
Hobbies or Crafts			
Other:			
<b>Miscellaneous</b>			
Checking Account, Money Order Fees, Etc.			
Pet Care or Supplies			
Postage			
Pictures and Photo Processing			
"Mad" Money			
Other:			
<b>Flexible Expenses Subtotal:</b>			
<b>Indebtedness Expenses</b>			
<b>Debts</b>			
Student Loan			
Credit Card (monthly minimum*)			
Credit Card (monthly minimum*)			
Credit Card (monthly minimum*)			
Medical Bills			
Personal Loan			
Other:			
<b>Indebtedness Subtotal:</b>			
<b>Total Monthly Expenses</b> (fixed + periodic fixed + flexible + indebtedness)			
<b>Income</b>			
<b>Total Monthly Net Income</b>			
<b>Additional Savings</b>			
<b>Amount Left Over for Savings</b> (total monthly net income – total monthly expenses)			

\* Although it is strongly recommended that you pay more than the monthly minimum payment due, lenders will use this amount when calculating monthly debt obligations.

Source: CreditSmart curriculum by Freddie Mac.

## Purchase Planning Case Study Instructions

### Overview

Participants help the Jacksons determine how they can afford to spend on a manufactured home. The objective is to teach participants about calculating how much someone can afford to borrow and spend on a manufactured home so that they will know how to do it for themselves.

### Time

30–40 minutes

### Materials

- Written copies of the case study for all participants
- Paper and pencils for all participants
- Calculators
- Overhead transparencies with completed prequalifying and purchase planning worksheets
- Transparency markers

### Set Up

- Make enough copies of the four pages of the case study for all participants.
- Print the overhead transparency with the completed affordability worksheet.

### Activity

- Distribute copies of the case study to participants and ask them to divide up into small groups.
- Read the case study aloud.
- Give the groups 10–15 minutes to pretend that they know the Jacksons and are helping them determine their affordability for a manufactured home. Ask groups to complete the prequalifying and purchase planning worksheets based on the information in the case study.
- Bring the group back together and share the completed prequalifying and purchase planning worksheets with the class using an overhead projector.

### Debriefing

Do you now feel ready to prequalify yourself and determine how much you can spend on a manufactured home? Why or why not?



## Purchase Planning Case Study

Now that we have covered all the basic information you need to know to calculate how much you can afford to borrow and spend on a manufactured home, you are ready to help the Jackson family figure out how much they can afford to spend on a manufactured home. Read the following information and determine how much they can afford to spend by using the prequalifying worksheet, factor table and purchase planning worksheet.

### Personal Information

Will and Jennifer Jackson live in a two-bedroom apartment with their child, Ana. Last year they established the goal of buying a home within two years. They have been sticking to their spending plan, and have managed to save \$1,000 toward a down payment. They have had several past credit problems and have been working to clean up their credit record before they begin the purchase process.

They are interested in buying an unsited manufactured home and placing it on private property in a semi-rural area, but they don't know where to begin.

Perhaps you can help them get started by calculating their affordability. The Jacksons checked their local paper for real estate financing rates and terms offered by lenders in their area. They found a mortgage company that offers a **7.0 percent interest rate for a 30-year fixed-rate loan**. The housing ratio for this loan product is 29 percent and the debt-to-income ratio is 41 percent.

Prospective buyers:	Will and Jennifer Jackson
Occupations:	Will: Assembly worker at manufacturing plant Jennifer: Part-time nurse
Combined gross monthly income:	\$3,000
Savings:	\$1,000
Debts:	

Creditor	Balance	Monthly Payment Amount	Months Remaining
Ford Motor	\$6,000	\$250	27
Visa	\$2,800	\$80	43
MasterCard	\$1,600	\$50	44

Average cost of land in area:	\$20,000
Average cost of site preparation:	\$15,000

## Prequalifying Worksheet

Borrower: \_\_\_\_\_

Co-borrower: \_\_\_\_\_

Total Gross Monthly Income \$ \_\_\_\_\_ (1)

Total Gross Monthly Income x \_\_\_\_\_ % (housing ratio) \$ \_\_\_\_\_ (2)

Total Gross Monthly Income x \_\_\_\_\_ % (debt-to-income ratio) \$ \_\_\_\_\_ (3)

Total Monthly Debt Payments \$ \_\_\_\_\_ (4)  
(installment debts with 10+ months remaining)

Subtract line (4) from line (3) \$ \_\_\_\_\_ (5)

### Maximum Loan Payment Allowed

Enter the amount on whichever is less, line (2) or line (5) \$ \_\_\_\_\_ (6)

#### *Escrows*

Multiply line (6) by 20% (.20) (estimated taxes and insurance) \$ \_\_\_\_\_ (7)

Subtract line (7) from line (6) (maximum principal and interest payment allowed) \$ \_\_\_\_\_ (8)

#### *Affordability*

Divide line (8) by \_\_\_\_\_ factor from sample factor table \$ \_\_\_\_\_ (9)

### Maximum Loan Amount

Multiply line (9) by \$1,000 \$ \_\_\_\_\_

## Sample Interest Factor Table

Cost for each \$1,000 of a loan

<b>Interest Rate</b>	<b>15-Year Loan</b>	<b>20-Year Loan</b>	<b>30-Year Loan</b>
6.0	\$8.44	\$7.16	\$6.00
6.5	\$8.71	\$7.46	\$6.32
7.0	\$8.99	\$7.75	\$6.65
7.5	\$9.27	\$8.06	\$6.99
8.0	\$9.56	\$8.36	\$7.34
8.5	\$9.85	\$8.68	\$7.69
9.0	\$10.14	\$9.00	\$8.05
9.5	\$10.44	\$9.32	\$8.41
10.0	\$10.75	\$9.65	\$8.78
10.5	\$11.05	\$9.98	\$9.15
11.0	\$11.37	\$10.32	\$9.53
11.5	\$11.68	\$10.66	\$9.91
12.0	\$12.00	\$11.01	\$10.29



## Purchase Planning Worksheet

<b>Maximum Loan Amount</b> (from Prequalifying Worksheet)	\$
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Item	Cost
Estimated Land Costs	\$
Estimated Site Preparation Costs	\$
<b>Total Land and Site Preparation Costs</b>	<b>\$</b>

<b>Amount Remaining for a Manufactured Home</b> (maximum loan amount – total land and site preparation costs)	\$
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**Prequalifying Worksheet — Answer Key**

Total Gross Monthly Income	\$	3,000 (1)
Total Gross Monthly Income x <b>29</b> % (housing ratio) <b>(.29)</b>	\$	870 (2)
Total Gross Monthly Income x <b>41</b> % (debt-to-income ratio) <b>(.41)</b>	\$	1,230 (3)
Total Monthly Debt Payments (installment debts with 10+ months remaining)	\$	380 (4)
Subtract line (4) from line (3)	\$	850 (5)

**Maximum Mortgage Loan Payment Allowed**

Enter the amount on whichever is less, line (2) or line (5)	\$	850 (6)
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*Escrows*

Multiply line (6) by 20% (.20) (estimated taxes and insurance)	\$	170 (7)
Subtract line (7) from line (6) (maximum principal and interest payment allowed)	\$	680 (8)

*Affordability*

Divide line (8) by <b>6.65</b> factor from sample factor table	\$	102 (9)
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**Maximum Mortgage Loan Amount**

Multiply line (9) by \$1,000	\$	<b>102,000</b>
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## Purchase Planning Worksheet — Answer Key

<b>Maximum Loan Amount</b> (from Prequalifying Worksheet)	<b>\$102,000</b>
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<b>Item</b>	<b>Cost</b>
Estimated Land Costs	\$20,000
Estimated Site Preparation Costs	\$15,000
<b>Total Land and Site Preparation Costs</b>	<b>\$35,000</b>

<b>Amount Remaining for a Manufactured Home</b> (maximum loan amount – total land and site preparation costs)	<b>\$67,000</b>
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