Debt Analysis Summary/Recommendation

New Client's Name

Debt-to-Income compares the difference between the monthly income and the monthly amount you spend to maintain your debt (as listed in your consumer disclosure or reported by you). This is called a debt to income ratio. Lower debt to income ratios is better because lenders view borrowers with low debt to income ratios as having a better capacity to repay their debts.

Financial Advisor
XX/XX/2011

On average, you’re currently using **XX%** of your monthly income after taxes to repay outstanding debt. The amount of current debt that you have is considered low when comparing it to your income. This level of debt is generally manageable for most people. Lenders generally view debt to income ratios **between 20% and 39% as Good**.

Lenders will generally view the 20% to 39% range of debt to income ratio satisfactory when qualifying for a loan. Most often, a debt ratio within this range along with a good credit standing will entitle you to receive the best interest rates and in some cases provide less collateral.

Your debt to income ratio falls into a range between **XX% and XX%**. With this range of debt, lenders will assume you to be able to add new debts without being overextended.

Once you get down to 15% to 20%, it may be an ideal time to consider making major purchases such as a new home, car, or make those investments or home improvements you have been considering and paying very little in terms of interest due to your creditworthiness.

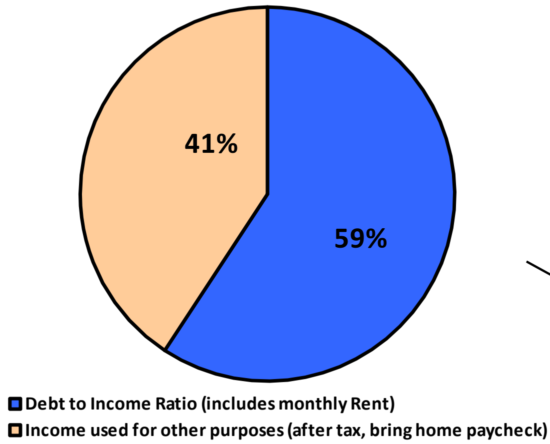
Adding additional debt may cause you to become over extended **(up to XX%)**. It is important to keep in mind that individual or household capacity for debt can vary significantly. Your lifestyle or stage in life can dramatically influence your ability to carry debt. In these ranges of debt to income, you are probably able to save a small to substantial part of your income each month. If you are unable to save at this debt level, you need to be willing and able to cut back on discretionary spending. Cutting back on things like recreation, entertainment, vacations etc., would put you in a much better position to save as well as being able to handle additional debt more comfortably.

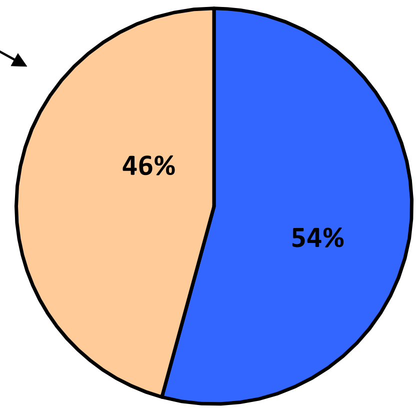
At the upper end of this range, lenders may look for compensating factors such as a good credit standing, your ability to save, or higher collateral in relation to the loan amount.

Remember that your debt to income ratio is not the only criteria used by lenders to evaluate your creditworthiness. Additional factors include your credit score, and in some instances, any collateral you have to offer to reduce the lender's risk in case of default. These and other personal factors are evaluated according to each lender's policies and preferences.

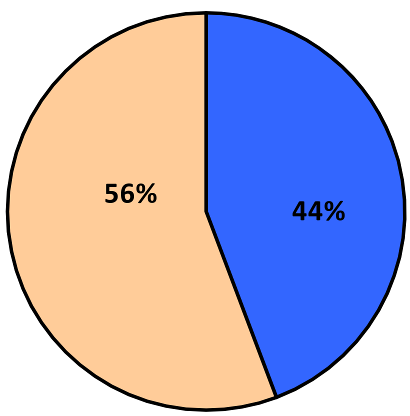
At the End of the Day………….

Current Debt-to-Income Ratio

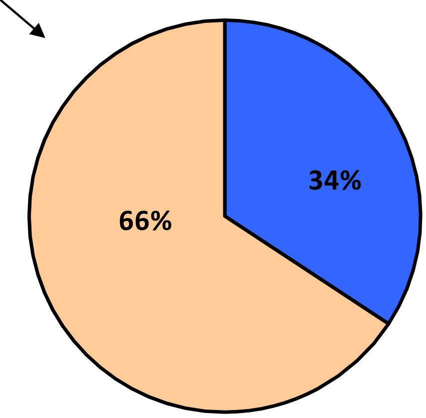




(One to Three Months) Debt-to-Income Ratio



(Three to Six Months) Debt-to-Income Ratio



(Six to Twelve Months) Debt-to-Income Ratio

Financial Advisor Recommendations

Pay the following debts in this order first to last (collections account can come last in some instances since it's already in collections it has already reflected poorly on your credit report, it's a good idea to stay current with those debts that are current so they don't make it to the collectors office).

<table>
<tr><th colspan="8">Recommendation Summary</th></tr>
<tr><th>Debt Collection Company</th><th>Number</th><th>Original Debt</th><th>Collector Paid</th><th>Age of Account</th><th>Offering Amount</th><th>SOL (Y/N)</th><th>My Basis for the Offering Amount</th></tr>
<tr><td>XYZ Debt Collector</td><td>(XXX) XXX-XXXX</td><td>$1,500</td><td>$150</td><td>1</td><td>$1,200</td><td>N</td><td rowspan="8">With each account, I take into account two major considerations that help me derive to an assumption for the offering amount to the company; AGE of Account & Amount of Money Debt Collector Paid for the Account. Here's how: (1) Debts that have recently been charged off: 6 to 7 cents on the dollar. (2) Accounts that are slightly older and on which a collection agency or two has already taken a whack: 1.5 cents to 2 cents on the dollar or (3) Years-old, out-of-statute debts: A penny or less.</td></tr>
<tr><td>ABC Debt Collector</td><td>(XXX) XXX-XXXX</td><td>$2,000</td><td>$200</td><td>2</td><td>$1,500</td><td>N</td></tr>
<tr><td>DEF Debt Collector</td><td>(XXX) XXX-XXXX</td><td>$2,500</td><td>$250</td><td>2</td><td>$1,875</td><td>N</td></tr>
<tr><td>GHI Debt Collector</td><td>(XXX) XXX-XXXX</td><td>$3,000</td><td>$210</td><td>3</td><td>$2,100</td><td>N</td></tr>
<tr><td>MNO Debt Collector</td><td>(XXX) XXX-XXXX</td><td>$3,500</td><td>$175</td><td>4</td><td>$2,275</td><td>N</td></tr>
<tr><td>XXX Debt Collector</td><td>(XXX) XXX-XXXX</td><td>$3,500</td><td>$105</td><td>5</td><td>$2,100</td><td>N</td></tr>
<tr><td>XXX Debt Collector</td><td>(XXX) XXX-XXXX</td><td>$5,000</td><td>$100</td><td>6</td><td>$2,750</td><td>N</td></tr>
<tr><td>XXX Debt Collector</td><td>(XXX) XXX-XXXX</td><td>$6,000</td><td>$60</td><td>7</td><td>$3,000</td><td>N</td></tr>
<tr><td>Total Amounts</td><td></td><td>$27,000</td><td>$1,250</td><td></td><td>$16,800</td><td></td><td>Potential Savings of 38%</td></tr>
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