

MORTGAGE

TAXES

HOME OWNERSHIP

CREDIT

PROPERTY

# WHAT MORTGAGE CAN I AFFORD?

REAL ESTATE

AGENT

## WORKSHEET

HOME INSPECTION

CURB APPEAL

## WHAT MORTGAGE CAN I AFFORD?

Unlike renting, **buying a home is a major financial commitment.** After all, if you rent a home you can't really afford, you're only committed to paying off the terms of the lease - usually one year of payments or less.

On the other hand, if you're buying your house, you're committed to 15, 20, or 30 years of payments or the balance of your principal plus fees at any one time.

So how do you know how much mortgage commitment is right for you?

Lenders generally look at your *debt-to-income* ratio and your *house payment-to-income* ratio to determine if you would be a good "risk."

**An acceptable debt-to-income ratio is 36% or less and your house payment should be around 30% of your income.** Lenders vary on these percentages by a few points up or down, but these are a good average to find a payment range that may work for you.

Complete the worksheets to determine how much mortgage you can afford.

## WHAT MORTGAGE CAN I AFFORD? WORKSHEET

---

### Debt-to-Income Ratio

Use your monthly payments on your debt to determine this figure:

#### Loan Payments

Bank Loans                    \$\_\_\_\_\_

Car Loans                     \$\_\_\_\_\_

Student Loans                \$\_\_\_\_\_

Other Loans                  \$\_\_\_\_\_

#### Credit Cards

Card #1                        \$\_\_\_\_\_

Card #2                        \$\_\_\_\_\_

Card #3                        \$\_\_\_\_\_

Card #4                        \$\_\_\_\_\_

Other Lines of Credit        \$\_\_\_\_\_

Total                            \$\_\_\_\_\_

Is this figure less than 36% of your monthly income?

If not, seek ways to pay off some of your debt before you buy a home.

## WHAT MORTGAGE CAN I AFFORD? WORKSHEET

---

### House Payment-to-Income Ratio:

Mortgage Loan Payment \$\_\_\_\_\_

Will these items be included in your mortgage? If not, add them in to determine your total housing payment:

Property Tax divided by 12 \$\_\_\_\_\_

Monthly Home Insurance Payment \$\_\_\_\_\_

Loan Insurance \$\_\_\_\_\_

Homeowners Association Dues ÷ 12 \$\_\_\_\_\_

Total \$\_\_\_\_\_

This figure should be around 30% of your monthly income. If it's much more, consider a smaller mortgage.