

Worksheet 1: How much home can you afford?

Use this worksheet to calculate how much you can afford to spend on a home before you begin shopping. You can also ask your mortgage professional about getting a pre-approved loan. It can help you shop with confidence and boost your bargaining power with sellers.

Gross income (before taxes) each year <i>(for self and any co-borrowers)</i>	\$	A
Enter your gross monthly income ($A \div 12$)	\$	B
Calculate maximum mortgage payment ₁ ($B \times 0.33$)	\$	C
Calculate maximum debt payment ₁ ($B \times 0.38$)	\$	D
Enter total monthly debt payment <i>(credit cards, car payments, child support, alimony, etc.)</i>	\$	E
Calculate monthly mortgage payment ₂ ($D - E$)	\$	F
Your maximum monthly mortgage payment <i>(enter the lower of C or F)</i>	\$	G
Monthly estimate of taxes, homeowners insurance and mortgage insurance ₃ ($A \times 0.0053$)	\$	H
Monthly estimate of homeowner association dues <i>(condominiums only)</i> ₄	\$	I
Calculate your estimate maximum mortgage payment ₂ ($G - H - I$)	\$	J
Calculate your estimated maximum loan amount _____ divided by _____ x 1,000 <i>(Enter J) (Payment Factor) ₅</i>	\$	K
Enter total cash available for home purchase price	\$	L
Calculate closing costs ₆ ($K \times 0.05$)	\$	M
Calculate cash available for down payment ($L - M$)	\$	N
Calculate your maximum home purchase price ($K + N$)	\$	O

¹ These percentages are used in industry standards. Percentages may vary according to type of mortgage chosen. Ask your mortgage professional for details. ² Monthly mortgage payment includes principal, interest,

³ Assumes a 5% down payment

⁴ In some cases, homeowner association dues may also be applicable on single family homes. Ask your mortgage professional for details.

⁵ Use the Payment Factor table above to find the interest rate you expect to pay on a 30-year fixed rate loan. Enter the factor next to this interest rate.

⁶ Closing costs can vary; we suggest using 5% for estimates in major metropolitan areas; other areas use 3%

Courtesy of

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