

Taxes

mortgage

HOME OWNERSHIP

Credit

Property

What Mortgage Can I Afford?

REAL Estate

Agent

Courtesy of

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CURB Appeal

Home Inspection

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.