

MORTGAGE PROCESS

We think a good rule of thumb is that your total payment for mortgage, taxes, insurance and assessments, should not exceed 28-33% of your gross monthly income.

HOW MUCH CAN YOU AFFORD?

The amount of mortgage payment you can afford may be limited by your monthly payments on other long-term debts (those that will take more than 10 to 12 months to pay off).

The total of your monthly payments on long-term debts plus your proposed mortgage payments should not be more than 36-40% of your gross monthly income.

Now use the following formula to determine how much home you can afford. Start with a purchase price equal to approximately 2-1/2 to 4 times your gross annual salary.

If the Total Monthly Mortgage Payment is more than line E, you should select a smaller loan amount. Recalculate until Total Monthly Mortgage Payment is less than line E.

A. Gross Monthly Income	\$_____ x 0.33 =	\$_____
B. Gross Monthly Income	\$_____ x 0.40 =	\$_____
C. Monthly Payments on long-term debt		\$_____
D. Subtract line C from line B		\$_____
E. Enter the Smaller of lines A and D		\$_____
Purchase Price	\$_____	
Down Payment	\$_____	
Purchase Price Less Down Payment Equals Proposed Mortgage Amount		\$_____
Monthly Principal and Interest Payment (See Interest Rate Factor Chart)		\$_____
Monthly Mortgage Payment		\$_____
Real Estate Taxes / 12 (Approximately 2% of purchase price)		\$_____
Homeowners Insurance (Approximately \$2.50 per \$1,000 of sales price)		\$_____
Mortgage Insurance / 12 (Approximately \$6 per \$1,000 of mortgage amount based on fixed rate, 90% LTV)		\$_____
Total Monthly Mortgage Payment		\$_____

