

How Much House Can You Afford

Three Important Questions:

1. **Credit History:** Do you pay your debts on time?
2. **Debt Ratio:** Can you afford the payment? (see example below)
3. **Cash to Close:** Do you have money for down payment?

Terms

Gross Income: Looking for the monthly income before taxes are taken out

Example: \$12 per hour x 40 hours per week x 52 weeks per year divided by 12 = \$2080 per month

Monthly Debts: May include – car payments, loan payments, credit cards, child support

Example: Car payment \$225 month, Credit Card \$15 month

PITI: Total housing payment, which includes Principle, Interest, Taxes and Insurance.

Calculation:

Gross Income: \$2080	Gross Income: \$2080
<u>x .30</u>	<u>x .39</u>
Total Housing \$624.00	Sub Total: \$811.00
	Subtract Debts: <u>-\$240.00</u>
	Allowable Mortgage Payment: \$571.00

Add your example:

Gross Income: \$	Gross Income: \$
<u>x .30</u>	<u>x .39</u>
Total Housing: \$	Sub Total: \$
	Subtract Debts: <u>-\$</u>
	Allowable Mortgage Payment: \$

Payment Calculator					
Term	10 yr	15 yr	20 yr	25 yr	30 yr
4.00%	10.12	7.40	6.06	5.28	4.77
4.125%	10.18	7.46	6.13	5.35	4.85
4.25%	10.24	7.52	6.19	5.42	4.92
4.375%	10.30	7.59	6.26	5.49	4.99
4.50%	10.36	7.65	6.33	5.56	5.07
4.625%	10.42	7.71	6.39	5.63	5.14
4.75%	10.48	7.78	6.46	5.70	5.22
4.875%	10.55	7.84	6.53	5.77	5.29
5.00%	10.61	7.91	6.60	5.85	5.37
5.125%	10.67	7.97	6.67	5.92	5.45
5.25%	10.73	8.04	6.74	6.00	5.53
5.375%	10.79	8.11	6.81	6.07	5.60
5.50%	10.86	8.18	6.88	6.15	5.68
5.625%	10.92	8.24	6.95	6.22	5.76
5.75%	10.98	8.31	7.03	6.30	5.84
5.875%	11.04	8.37	7.09	6.37	5.92
6.00%	11.11	8.44	7.17	6.45	6.00
6.125%	11.17	8.51	7.24	6.52	6.08
6.25%	11.23	8.58	7.31	6.60	6.16
6.375%	11.29	8.64	7.38	6.67	6.24
6.50%	11.36	8.72	7.46	6.76	6.33
6.625%	11.42	8.78	7.53	6.83	6.40
6.75%	11.49	8.85	7.61	6.91	6.49
6.875%	11.55	8.92	7.68	6.99	6.57
7.00%	11.62	8.99	7.76	7.07	6.66
7.25%	11.75	9.13	7.91	7.23	6.83
7.50%	11.88	9.28	8.06	7.39	7.00
7.75%	12.01	9.42	8.21	7.56	7.17
8.00%	12.14	9.56	8.37	7.72	7.34

Divide loan amount by 1000 then multiple by appropriate factor.

Example: The loan amount is \$75,000 and you want a 30-year loan at 6.50% interest.

Hint: Find 6.50% row and intersect with 30 year column. Divide loan amount by 1000 and multiply by the factor.

75 x 6.33 = \$474.75 per month

Now add Taxes and Insurance to complete the payment.

Taxes: \$115 per month
Insurance: \$42 per month

Total PITI: \$632.75 per month

Supplied by: Sue Moody
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