

## Work Out Your Buying Potential

<b>Housing Expense Ratio:</b>	
1. Monthly income before taxes	\$
2. Multiply line 1 by 0.28	X 0.28
3. Monthly mortgage payment (PITI) should not exceed this amount	= \$
4. Monthly income before taxes	\$
5. Multiply line 4 by 0.36	X 0.36
6. Total monthly payments on all debts (including mortgage) should not exceed this amount	= \$
7. Subtract the total monthly payments on all outstanding debts (e.g., car loans, credit cards, student loans, etc.)	- \$
8. The monthly mortgage payment should not exceed this amount	\$
9. Look at line 3 and line 8. The lower figure is an estimate of the maximum mortgage payment in consideration of your income and debts.	\$
10. Multiply line 9 by 0.80	X 0.80
11. This equals portion of your mortgage payment that is the principal and interest only	\$
12. Use the table below to see the size of the loan you may be able to obtain with this monthly mortgage payment.	

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**Didn't see your desired loan amount?** Use the table below to estimate your monthly payment (principal and interest) per \$1,000 of your loan. To figure out an estimated loan payment, multiply the factor by the number of thousands in the amount of your mortgage.

For example, if you intend to borrow \$400,000, with a loan term of 30 years at 4% interest, multiply  $4.77 \times 400 = \$1908$  per month.

Interest Rate	15-Year Term	30-Year Term
	Monthly Payment	Monthly Payment
3%	6.90	4.21
3.5%	7.14	4.49
4%	7.39	4.77
4.5%	7.64	5.06
5%	7.90	5.36
5.5%	8.18	5.68
6%	8.44	6.00

**Don't forget to factor in property taxes and insurance.** These are often added to your principal and interest of your mortgage payment—the money used to pay down the balance of your loan and the charge for borrowing the money. Since these numbers vary, contact your county assessor's office for the current property tax rate and your insurer for a home insurance quote. Once you have these figures, divide each by 12 to estimate how much they'll add to the above payment amounts.