

Financial Qualifications

USING THE FOLLOWING SEVEN STEPS YOU CAN QUICKLY ESTIMATE THE MAXIMUM MONTHLY MORTGAGE PAYMENT FOR WHICH YOU MAY QUALIFY, AS WELL AS DETERMINE WHETHER THE HOME YOU WANT IS WITHIN YOU BUDGET.

YOUR PERSONAL FINANCES

Step 1 Gross Monthly Incomes (before taxes)

1 st Income	\$ _____
2 nd Income	\$ _____
Other Income	\$ _____
Total Gross Monthly Income [A]	\$ _____

Step 2 Maximum Mortgage Payment

Your total monthly mortgage payment including property taxes should not exceed 30% of amount **[A]**(Total Gross Monthly Income).

The calculation is performed as follows:

[A](Total Gross Monthly Income) \$ _____ X 0.30 = \$ _____ **[B]**

This percentage is referred to as the Gross Debt Service Ratio (GDSR).

Step 3 Maximum Mortgage and Other Payments

The total of your mortgage payment and payments for other fixed installment loans should not exceed 40% of amount **[A]**(Total Gross Monthly Income).

The calculation is performed as follows:

[A](Total Gross Monthly Income) \$ _____ X 0.40 = \$ _____ **[C]**

This percentage is referred to as the Total Debt Service Ratio (TDSR).

YOUR MORTGAGE REQUIREMENTS

Step 4 Details of the Home

Enter the price range that you are considering.

Purchase price	\$ _____
Less: Down payment*	- \$ _____
Mortgage required [D]	= \$ _____

*Minimum 10% of purchase price. Some first time buyers may qualify for a 5% downpayment.

Step 5 Amortization

You can choose an "amortization" period of up to 25 years to pay off the entire mortgage. The longer the amortization, the lower the payment.

Amortization period _____ YRS
Current Interest Rate* _____ %
Factor** **[E]** _____

*Use the 5-year term rate for the current interest rate.

**Refer to the Mortgage Payment Factor Chart at the end of this document. Locate the factor where the interest rate intersects your amortization period.

IMPORTANT: You can literally save tens of thousands of dollars in interest payments by simply reducing the amortization period of your mortgage.

Example: On a \$100,000.00 mortgage the savings between 25 years and 20 years at 8% is \$30,000.00.

YOUR MONTHLY PAYMENTS

Step 6 Total Monthly Payments

[D]\$ _____ /1000 x **[E]** _____ = \$ _____ **[F]** (Monthly Principal & Interest)

Add 1/12th of the estimated annual property tax + \$ _____ **[G]**

Monthly* mortgage payment: principal, interest and taxes (P.I.T) = \$ _____ **[H]**
(**[F]** + **[G]**) = **[H]**

Add other monthly payments: car and personal loans, day care, child support + \$ _____ **[J]**

Total Monthly Payment (**[H]** + **[J]**) = **[K]** = \$ _____ **[K]**

*Mortgage payments can be made weekly, every two weeks or twice a month instead of monthly.

Step 7 Affordability Checks

Is your:

1. P.I.T. payment **[H]** less than the GDSR amount **[B]**? Yes No
2. Total monthly payment **[K]** less than the TDSR amount **[C]**? Yes No

If you answered YES to both questions, congratulations! You qualify financially for a home.

If you answered NO to either of these questions, you may want to try these extra calculations again. Try reducing the amount of your mortgage or increasing the amount of your downpayment. If it still doesn't work, don't despair. Speak with a realtor and ask for the name of a mortgage specialist who can advise you or your options.

Mortgage Payment Factor Chart

This is the monthly amount you will pay per \$1,000.00 of mortgage.

Interest Rates (%)	Amortization Periods				
	25 YRS	20 YRS	15 YRS	10 YRS	5 YRS
5.00	\$ 5.82	\$ 6.57	\$ 7.88	\$10.58	\$18.85
5.25	5.96	6.71	8.01	10.70	18.96
5.50	6.10	6.84	8.14	10.82	19.07
5.75	6.25	6.98	8.27	10.94	19.19
6.00	6.40	7.12	8.40	11.07	19.30
6.25	6.55	7.26	8.53	11.19	19.41
6.50	6.70	7.41	8.66	11.31	19.53
6.75	6.85	7.55	8.80	11.44	19.64
7.00	7.00	7.69	8.93	11.56	19.75
7.25	7.16	7.84	9.07	11.68	19.87
7.50	7.32	7.99	9.21	11.81	19.98
7.75	7.47	8.13	9.34	11.94	20.10
8.00	7.63	8.28	9.48	12.06	20.21
8.25	7.79	8.43	9.62	12.19	20.33
8.50	7.95	8.59	9.76	12.32	20.45
8.75	8.12	8.74	9.90	12.45	20.56
9.00	8.28	8.89	10.05	12.58	20.68
9.25	8.44	9.05	10.19	12.71	20.80
9.50	8.61	9.20	10.33	12.84	20.91
9.75	8.78	9.36	10.48	12.97	21.03
10.00	8.94	9.52	10.62	13.10	21.15
10.25	9.11	9.68	10.77	13.24	21.27
10.50	9.28	9.83	10.92	13.37	21.38
10.75	9.45	10.00	11.06	13.50	21.50
11.00	9.63	10.16	11.21	13.64	21.62
11.25	9.80	10.32	11.36	13.77	21.74
11.50	9.97	10.48	11.51	13.91	21.66
11.75	10.14	10.65	11.66	14.04	21.98
12.00	10.32	10.81	11.82	14.18	22.10

These figures are assumed to be a fair estimate only. Although great care has been taken in the preparation of this table, there is no guarantee of accuracy.