

# “WHAT YOU CAN AFFORD” WORKSHEET

## Step I Calculate your Gross Debt Service Ratio (GDS)

“Most lenders say that your monthly housing expenses (principal, interest and taxes) should not exceed 30% of your family income before personal income taxes.”

To calculate your Gross Debt Service Ratio (GDS):

- Take your total monthly gross (before tax) income [A] \$ \_\_\_\_\_
- Multiply [A] by the maximum GDS Ratio (30%)  $[A] \times 0.30 =$  \$ \_\_\_\_\_ [B]

[B] is the maximum amount available for your mortgage payment (principal and interest) and property taxes.

## Step II Calculate your Total Debt Service Ratio (TDS)

Your TDS takes into account monthly housing expenses plus any other debts or loans that you may have.

To calculate your Total Debt Service Ratio (TDS):

- Take your total monthly gross (before tax) income [A] \$ \_\_\_\_\_
- Multiply [A] by the maximum TDS Ratio (40%)  $[A] \times 0.40 =$  \$ \_\_\_\_\_ [C]
- Subtract your regular monthly expenses (e.g. car payments, credit cards, bank loans) [D]  $[C] - [D] =$  \$ \_\_\_\_\_ [E]

[E] is the maximum amount available for your mortgage payment and property taxes.

## Step III Calculate the amount available to apply to your monthly mortgage payment.

This figure will be used to calculate how much mortgage you are available for.

To calculate this amount:

- Identify the lower of your GDS [B] or TDS [E] \$ \_\_\_\_\_
- Subtract an approximate amount for property tax - \$ \_\_\_\_\_
- \$ \_\_\_\_\_ [F]

[F] is the amount which we will now use to calculate how much mortgage you are available for.

**Step IV****Determine the Purchase Price that you can afford**

Using the figure calculated in **Step III**, find the closest matching number in column A.

The corresponding number in column B is your approximate eligible mortgage amount.

In column C record the down payment amount that you have available.

In column D add the numbers identified in columns B and C together. This approximately equals the price of the home that you can afford.

<b>A</b>	<b>B</b>
<b>MONTHLY PAYMENT</b>	<b>ELIGIBLE AMOUNT OF MORTGAGE</b>
(cost includes principal and interest payment per month based on an interest rate of 10% and 25 year amortization)	
\$ 269	\$ 30,000
\$ 358	\$ 40,000
\$ 448	\$ 50,000
\$ 537	\$ 60,000
\$ 626	\$ 70,000
\$ 716	\$ 80,000
\$ 805	\$ 90,000
\$ 895	\$100,000
\$ 984	\$110,000
\$1,074	\$120,000
\$1,163	\$130,000
\$1,253	\$140,000
\$1,342	\$150,000
\$1,432	\$160,000
\$1,521	\$170,000
\$1,610	\$180,000
\$1,700	\$190,000
\$1,789	\$200,000

<b>B</b>	<b>C</b>	<b>D</b>
<b>Eligible Amount of Mortgage</b>	<b>Down Payment Available</b>	<b>House Price You Can Afford</b>
(B) \$ _____	+ (C) \$ _____	= (D) \$ _____

Remember that the down payment must be at least 10% of the purchase price of the purchase price of the home unless you qualify for a Canadian Mortgage and Housing Corporation's (CMHC) 5% down program for first-time buyers.

Please note that all amounts are approximate. Rates do vary. If rates are higher then you would be eligible for a smaller mortgage. If rates are lower then your mortgage could be higher. These amounts do not take into consideration mortgage insurance premiums for high-ratio mortgages.