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BUYERS – What Can You Afford?

In addition to having the cash for the down payment, closing costs, and good credit history, the mortgage lender will want your house payment & other debts to conform to accepted qualifying ratios. While 28%-36% are the most common, some loan ratios differ.

	Column A	Column B
Annual income before taxes (gross):	\$	
Divide by number of months:	/	=
Monthly gross income:	=	
Many lenders will not allow you to spend more than 28% of your monthly income on housing expense: (Column B)		
Maximum monthly housing expense allowance (Column B)		
Many lenders allow 36% of monthly gross income for long term debt:	X 36	
Long-term monthly expense allowance:	=	
Figure out your monthly long-term obligations below, & subtract them from the allowance:		
Child support	\$	
Auto loan	\$	
Credit cards	\$	
Association fees	\$	
Other	\$	
Total long-term:	=	
Monthly housing expense allowance:	=	
Record the smaller figure in Column A or B:	\$	\$
Estimate about 20% for taxes & insurance, leaving 80% for payment of mortgage (principal & interest):	X .80	
Allowable monthly principle & interest expense:	+	
Divide by Monthly payment per Thousand Dollars from table:	/	
	=	
Multiply by 1000:	X 1000	
Estimated Affordable Mortgage Amount:	\$	

Rate	15 yr	30 yr	Rate	15 yr	30 yr	Rate	15 yr	30 yr	Rate	15 yr	30 yr
6.0%	8.44	6.00	7.75%	9.41	7.16	9.5%	10.44	8.41	11.25%	11.53	9.72
6.25%	8.58%	6.16	8.0%	9.56	7.34	9.75%	10.60	8.60	11.5%	11.69	9.91
6.5%	8.72%	6.33	8.25%	9.70	7.51	10.0%	10.75	8.78	11.75%	11.85	10.10
6.75%	8.85	6.49	8.5%	9.85	7.69	10.25%	10.91	8.97	12.0%	12.01	10.29
7.0%	8.99	6.65	8.75%	9.99	7.87	10.5%	11.06%	9.15	12.25%	12.17	10.48

Information provided by:
The Meyers Team