

HOW MUCH HOUSE CAN YOU AFFORD?

Before you start house hunting, it's always wise to find out what homes are within your price range or purchasing power. This can be done through the simple process of pre-qualification. To pre-qualify you, a lender or *REALTOR*® uses financial information which you provide to estimate the maximum mortgage you should be able to obtain. The process does not guarantee that your mortgage application will be accepted, but it does help you narrow your search to homes you can afford.

Most lenders' use certain formulas determining how much mortgage to offer you. Typically, your monthly house payment should be around 28 to 30 percent of your total monthly gross income (how much you make before taxes.) Your total monthly debt, which includes your mortgage, as well as your debts (e.g., car payment, credit cards and loans), should not be more than 36 to 40 percent of your gross income. These figures may vary from lender to lender.

When deciding how much house you can comfortably afford, you need to consider your home's carrying charges as well as your savings, your salary, your debts and your spending habits.

How much down payment do you need? The down payment is the difference between the purchase price and the loan amount, and is due at the time of closing. It generally ranges from as little as 3 percent of the purchase price to however much you wish to put down. The larger your down payment, the less interest you will have to pay. Loans with minimum down payments typically require a fee for mortgage insurance in addition to your monthly payment.

Money for the down payment may come from a variety of sources, including your savings, the sale or financing of another house, a gift or loan from family members, or a secured debt (such as a car loan). Your lender can tell you about the latest regulations regarding down payments.

Your house payment is your basic monthly mortgage payment, consisting of principal, interest, real estate taxes and homeowners' insurance. This is known as **PITI**. Your house payment may also include a mortgage insurance and/or an association fee if required.

Below you have guidelines for Annual Gross Income to "Maximum Monthly Payment for House Only and Total Debt."

Maximum Monthly Payment

<u>Gross Annual Income</u>	<u>“House Only 28%”</u>	<u>Total Debt 36%</u>
\$35,000	\$816	\$1,050
\$40,000	\$933	\$1,200
\$45,000	\$1,050	\$1,350
\$50,000	\$1,167	\$1,500
\$55,000	\$1,283	\$1,650
\$60,000	\$1,400	\$1,800
\$65,000	\$1,516	\$1,980
\$70,000	\$1,633	\$2,100
\$75,000	\$1,750	\$2,250
\$80,000	\$1,867	\$2,400
\$85,000	\$1,983	\$2,550
\$90,000	\$2,100	\$2,700
\$95,000	\$2,216	\$2,850
\$100,000	\$2,333	\$3,000
\$120,000	\$2,800	\$3,600
\$130,000	\$3,033	\$3,900
\$140,000	\$3,266	\$4,200
\$150,000	\$3,500	\$4,500
\$160,000	\$3,733	\$4,800
\$170,000	\$3,966	\$5,100
\$180,000	\$4,200	\$5,400
\$190,000	\$4,433	\$5,700
\$200,000	\$4,666	\$6,000

The above figures may differ between mortgage companies. We always advise our customers and clients to seek mortgage information from several lenders.



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Ron believes, *“Professional and Quality Service is not Expensive, It’s priceless!”*
At Saunders Realty we earn your business and work hard to obtain your trust and commit to your success!