



REALTY & MANAGEMENT

WWW.SRPMANAGEMENT.NET

BUYING A HOME

Use this Reference Guide to Figure Out How Much Home Can You Realistically & Comfortably Afford

What Makes Up A Monthly Mortgage Payment?

P . I . T . I .

Principal. Interest. Taxes. Insurance

MORE THAN JUST YOUR PRINCIPAL AND INTEREST...don't forget taxes, insurance, and depending on your down payment amount, private mortgage insurance (PMI)

Setting a Budget

You need to put a budget together. Even if you're pre-qualified for a mortgage loan, you need to know how much of a monthly payment will work comfortably with your lifestyle and long-term financial plans.

Step 1: KNOW YOUR INCOME AND EXPENSES - Add up your monthly expenses and deduct that amount from your net monthly income.

Step 2: SET YOUR PRIORITIES - Separate your expenses into "need to have" and "like to have" categories.

Step 3: TRACK YOUR SPENDING - Keep track of where your money goes each month and balance your budget.

Mortgage Payment Ratio

REMEMBER - *It Is Not About The Maximum You Can Borrow, It's About How Much You Can Comfortably Afford*

OK, OK...you get it...so how do you get to a starting point? Here's the formula:

$$\frac{\text{GROSS MONTHLY INCOME} \times 28\%}{\text{MANAGEABLE MONTHLY PAYMENT}}$$

Debt-to-Income Ratio

BUT... *Don't forget that you also need to consider your TOTAL DEBT, not just your monthly mortgage payment.*

A good rule of thumb is to spend no more than 36% of your gross income on your total debt...think things like car payments, credit card payments AND your mortgage.

$$\frac{\text{GROSS MONTHLY INCOME} \times 36\% \text{ (Benchmark)}}{\text{MAXIMUM MONTHLY CREDIT PAYMENTS}}$$

Use Our Affordability Calculator on our website under Resources to help you make the best decision for your circumstances.