

- *Remember this is only an estimate for identifying a broad price range. There are other figures that may need to be factored in such as mortgage insurance. Your mortgage expert will be able to provide you with a more specific price range.*
- *Don't stretch your budget to its max. Avoid being house poor by leaving a little breathing room and keeping some money in reserves.*

Looking for a reputable mortgage lender? I have been privileged to work with many experienced and trustworthy mortgage professionals over the years and would be happy to point you in the right direction. Call me today to get the names of a few near you.



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BUYING A HOME



How to Calculate Your Buying Budget

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Searching for a new home can be an overwhelming experience. With so many homes on the market and so many price ranges, how do you determine what your pricing limits are?



It is important to know your purchasing limits off the bat so you don't tempt yourself with home's that are beyond your comfort zone. It is always best to buy conservatively. Being house poor is a recipe for disaster as every house brings an array of new and unexpected expenses. Allow some breathing room in your budget and set aside a little money each month for surprise expenses. Remember, it's not *if* an unforeseen expense comes up, it's *when*.

While you should always take the time to get pre-approved by a reputable mortgage originator, calculating your buying budget on your own is easy.

1. Add up all income to arrive at your total monthly household income.

This should include income from jobs, alimony, child support, retirement, pensions,

and annuities. If it is documented and consistent, it should be included.

2. Multiply the number by 36%

(*income* x .36) to calculate your maximum debt to income ratio. This is the amount of monthly payments (including your mortgage payment) that a mortgage underwriter will allow you to have.

3. Subtract all long-term monthly debts. Include only debts that have more than 10 months remaining.

If you pay alimony or child support, this must also be included. The remaining figure is your total maximum mortgage payment. As a general rule, the mortgage payment should not exceed 28% of your total monthly income. Use this figure or 28%, whichever is lower.

4. Estimate property taxes and homeowner's insurance.

Divide them by twelve to calculate the monthly payment, then subtract it from the previous figure. This leaves you with your maximum monthly principle and interest payment.

5. Based on current interest rates, determine what price range your monthly payment falls in.

You can use the guide below, or the mortgage calculator on our website.

6. Add your down payment to the applicable loan amount to reach your maximum purchase price.

If you need to build the closing costs into the price of the home, subtract the estimated closing costs from this purchase price to arrive at your final maximum purchase price.

The following guide is based on principal and interest payments calculated with a 30 year amortization. Remember that taxes, hazard insurance, and mortgage insurance may be added to your monthly payment.

\$	5%	6%	7%	8%
600	111,800	100,000	90,200	81,800
800	149,000	133,400	120,200	109,100
1,000	186,300	166,800	150,200	136,400
1,200	223,500	200,200	180,200	163,700
1,400	260,800	223,500	210,200	191,00
1,600	298,100	266,900	240,200	218,300
1,800	335,300	300,200	270,200	245,600
2,000	372,600	333,600	300,200	272,900
2,200	409,800	367,000	330,200	300,200
2,400	447,100	400,300	360,200	327,500

