DETERMINE WHAT YOU CAN AFFORD

Purchasing a home involves one time costs and monthly expenses. The largest one time cost is the down payment. It usually represents between 5-25% of the purchase price of the property. In addition to the actual purchase price, there are a number of other expenses that you might be expected to pay for. Typical monthly costs incurred with home ownership are: mortgage payments, maintenance, insurance, condo fees (if applicable), property taxes and utilities.

Step One: 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 income (before tax)	$
Multiply it by the maximum GDS Ratio (30%)	$
This is the maximum amount available for your mortgage payment (principal and interest), property taxes and 50% of condo fees (if applicable)	

Example: John and Jackie have a gross family income of $66,000 per year, or $5,500 per month. No more that $1,650 ($5,500 x 30%) can be applied to housing expenses.

Step Two: Calculate Your Total Debt Service Ratio (TDS)

Your TDS takes into account monthly housing expenses plus other debts and loans you may have. To calculate your Total Debt Service Ratio (TDS):

Take your total monthly gross income (before tax)	$
Multiply it by the maximum TDS Ratio (40%)	$
Subtract your regular monthly expenses (eg. credit cards, car payments, personal loans)	$
This is the maximum amount available for your mortgage payment (principal and interest), property taxes and 50% of condo fees (if applicable)	$

Example: John and Jackie have a gross family income of $66,000 per year, or $5,500 per month. They also have 2 car payments totalling $575 per month, a student loan of $150 per month and credit card payments of $175 per month. They can apply no more than $1,300 of their monthly income to housing costs
($5,500 x 40% = $2,200 - $900 = $1,300).

Step Three: Calculate the amount available to apply to your monthly mortgage payment. This figure will be used to calculate how much mortgage you are eligible for. To calculate this amount:

Identify the lower of your GDS or TDS	$
Subtract an appropriate amount for property tax	$
This is the amount we will now use to calculate how much mortgage you are eligible for	$

Using the example of John and Jackie, their TDS ($1,300) is lower than their GDS ($1,650) and they estimate their property taxes will be $175 per month. They have $1,125 available to apply to their monthly mortgage payment. (i.e. $1,300 - $175 = $1,125)

Step Four: Determine The Purchase Price You Can Afford

Using the figure calculated in Step 3, 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 you have available
In Column D add the numbers identified in columns B and C together

This equals approximately the price of the home that you can afford. In our example John and Jackie, the amount calculated in step 3 was $1,125. They also saved a down payment of $30,000. With a monthly payment of $1,125 (refer to column A) they are eligible for an approximate mortgage of $130,000 (refer to column B). With their down payment of $30,000, they can afford to buy a home worth approximately $160,000.

*Note: The monthly payment in column A includes principle and interest payment per month based on interest rate of 6.75% and 25 year amortization.

*Monthly Payment	Eligible Amount of Mortgage
$686	$100,000
$823	$120,000
$960	$140,000
$1,097	$160,000
$1,234	$180,000
$1,371	$200,000
$1,713	$250,000
$2,056	$300,000
C **Down Payment Available**	**D** **House Price You Can Afford**
+	=

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