

# Maximum loan amount worksheet

## Housing expense ratio (1)

Enter: Total gross monthly income (pre-tax)

X 28%: Often referred to as the "front-end ratio", keeping your monthly mortgage payment under 28% of your total gross monthly income is typical.

Equals: Maximum allowable for mortgage payment (PITI)

$$\begin{array}{r} \$ \\ \hline \times .28 \\ \hline \$ \\ \hline \end{array}$$

## Total debt ratio (2)

Enter: Total gross monthly income (pre-tax ) \$

X 43%

Equals: Maximum allowable for mortgage payment (PITI) before other debt

Minus total monthly debt payment\*

Equals: Maximum allowable for mortgage payment (PITI)

$$\begin{array}{r} \$ \\ \hline \times .43 \\ \hline \$ \\ \hline \$ \\ \hline \$ \\ \hline \end{array} \quad \begin{array}{l} (1) \\ \\ \\ (2) \end{array}$$

## Lesser of 1 or 2

$$\begin{array}{r} \$ \\ \hline \end{array} \quad (3)$$

**Figure (3)** is an estimate of your maximum allowable mortgage payment (PITI), given your current gross monthly income and debts.

Multiply **Figure (3)** by 80% to estimate the portion of PITI that represents your principal and interest (P&I) payment only

$$\begin{array}{r} \times .8 \\ \hline \$ \\ \hline \end{array} \quad (4)$$

Equals: Monthly allowable for P&I payment only

Divide **Figure (4)** by the factor in the chart below that most closely represents today's interest rate environment.

P&I divided by 30-year P&I factor = maximum loan amount

$$\begin{array}{r} \$ \\ \hline \end{array} \div \begin{array}{r} \hline \end{array} = \begin{array}{r} \$ \\ \hline \end{array} \quad \begin{array}{l} \text{This is your estimated} \\ \text{maximum loan amount.} \end{array}$$

Figure (4) 30-year P&I factor

Interest rate	30-year P&I factor	Interest rate	30-year P&I factor
4.00%	.004774	6.50%	.006321
4.50%	.005067	7.00%	.006653
5.00%	.005368	7.50%	.006992
5.50%	.005678	8.00%	.007338
6.00%	.005995	8.50%	.007689

\*This is the total monthly amount that you pay toward all revolving and installment debt loans, including car payments, credit card payments, and bank loans.