Ginnie Mae Home

YPTH Home

Buy vs. Rent

Affordability Calculator

Finding a Lender

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Qualifications Checklist

This section gives you a better understanding of what information is usec to determine your ability to qualify for a loan.

Using the calculator in the Affordability section, you can estimate what lenders may offer. Lenders will review your income, debt, and savings information to determine how much money they are willing to lend you towards your home purchase. Lenders will provide you with an estimate on how much you can qualify to spend toward the purchase of a home. This estimate is the maximum amount that the lender is willing to lend you.

Based on your lifestyle and needs, you should consider how much you ar willing to spend on the purchase of a home. In some cases, the homebuyer is not willing to invest as much of their income toward a hou: as they can actually afford. Below are further details about the kinds of information used to determine how much you can afford, namely **Incom Debt**, and **Housing-related expenses**.

Income

Your income will be critical in computing how much you can afford to pay (using current lending guidelines) for housing related expenses. Your income information is included in the PITI (**P**rincipal, **I**nterest, **T**axes, an **I**nsurance) and debt ratio (PITI and debt) calculations. Your ability to meet the PITI, or front-end ratio, and the PITIO ratio, or debt ratio, can have an impact on a lender's decision to offer you a loan.

Different loan programs have their own rules regarding the percentage o income that can be applied toward monthly house payments. For example, government loan programs such as FHA and VA have ratios tha allow you to apply a higher percentage of your income toward the loan. While conventional loan front-end ratios generally run around 28%, FHA allows you to apply 29% and VA allows you to apply 41%.

Basically, this means that your monthly loan payment should be no more the 28%, 29%, or 41% of total monthly income, depending on the loan program.

Debt

A lender carefully considers your debt information when it assesses your ability to repay a loan. Your debt information is included in the PITIO, or debt ratio calculation. Loan programs have different rules regarding the percentage of income that can apply towards long-term debt. Your ability to meet the ratio requirements can impact a lender's decision to offer yo a loan.

Government loan programs such as FHA and VA allow you to apply a higher percentage of your debt requirements towards the loan. While conventional loan debt ratios generally run around 36%, FHA and VA allo you to apply 41%. Basically, this means that your long-term monthly del payment plus your monthly loan payment can equal no more than 36% (41% of total monthly income, depending on the loan program.

Housing-related expenses

Housing-related expenses are another category lenders consider. These expenses often depend on the location and type of home. This will influence the amount of the loan for which you can qualify and may be one of the most critical factors in your decision to buy a home. You shoul consider how housing-related expenses could impact your budget. The purchase of a home may increase your monthly expenses and reduce the amount of money you have remaining to support your lifestyle.

YPTH's Affordability calculator provides estimates on typical home expenses that include:

- **Property tax** - This expense is dependent on the location of the home. Different counties and states have different property tax requirements. As a homebuyer, you would be wise to consider how this additional expense will impact your total monthly expenses.
- **Maintenance costs** - This expense includes anything from washers the faucets to a new roof or heating system and varies by geographic location, size, and age of home.
- **Utility costs** - This expense includes items such as electric, gas, water, and heating and air conditioning and varies by geographic location, size, season, and age of home. The type of construction (i.e. gas, electric) may also be a factor in your utility cost estimate
- **Mortgage insurance** (if applicable) - This expense can vary by mortgage insurance company, lender, loan product, and loan-to-value percentage of the loan.
- **Other Costs** - These expenses vary depending on the type of hom and geographic location. These costs can include:
  - Homeowner association fees
  - Flood insurance
  - Other required property insurance
  - Condominium assessment fees and
  - Other condominium escrow items.