HOW MUCH HOUSE CAN I BUY?

Understanding the 28/36 Rule

The 28/36 rule is a finance principle that lenders use to show how much of a person's gross monthly income should go to housing costs and how much should go to monthly debt. There are two main parts to this rule.

1) No more than 28 percent of your gross monthly income should go to monthly housing costs. This includes all costs related to holding title on a home. This is called the PITI ratio, which stands for principal, interest, taxes, and insurance.

2) No more than 36 percent of your gross monthly income should be spent on total debt and loan payments. This total monthly debt includes mortgages, but also includes other forms of borrowing like credit card debt and car loans.

Total Monthly Income

Description	Amount
	A $1.00
	B
	C
	D
	E
Total [A+B+C+D+E]	F $1.00

Career, Side Hustle, Child Support, Bonus, Rental etc.

Total Monthly Debt

Description	Amount
	G
	H
	I
	J
	K
Total [G+H+I+J+K]	L $0.00

Car, House, Credit Card, Student Loans, Medical Bills, etc.

Current Debt-to-Income Ratio

Total Monthly Debt [L] divided by Total Monthly Income [F] = M 0.00%

Highest Affordable Monthly Mortgage

According to:	Formula	Monthly Mortgage
Debt-to-Income Ratio	(0.36 - DTI [M]) x Total Monthly Income [F]	O $0.36
PITI Ratio	0.28 x Total Monthly Income [F]	P $0.28

Highest Affordable Purchase Price

Interest Rate	Q	7.00%
Down Payment	R	
Loan Term (yrs)	S	
Monthly Tax	T	
Monthly Insurance	U	
Monthly HOA	V	

According to:	Formula	Purchase Price
DTI Ratio	$\dfrac{O * \left\{\left[\left(1+\frac{Q}{12}\right)^{12(S)}\right]-1\right\}}{\left(\frac{Q}{12}\right) * \left[\left(1+\frac{Q}{12}\right)^{12(S)}\right]} + R$	W $0
PITI Ratio	$\dfrac{P * \left\{\left[\left(1+\frac{Q}{12}\right)^{12(S)}\right]-1\right\}}{\left(\frac{Q}{12}\right) * \left[\left(1+\frac{Q}{12}\right)^{12(S)}\right]} + R$	X $0

Total Monthly Payment

According to:	Formula	Monthly Mortgage
Debt-to-Income Ratio	Monthly Mortgage [O] + Tax [T] + Insurance [U] + HOA [V]	Y $0.36
PITI Ratio	Monthly Mortgage [P] + Tax [T] + Insurance [U] + HOA [V]	Z $0.28

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