SMART ABOUT MONEY

Housing Costs Worksheet

There are varying guidelines for how much to spend on housing, but it all begins with your income. How much you make will determine what you can afford. Before beginning this exercise, you may want to complete the SAM Budget Worksheet.

To calculate your housing costs, begin by tallying the following housing-related expenses:

Housing Expense	Monthly Amount
Rent	
Utilities	
Renters Insurance	
TOTAL:	
Mortgage (Including Interest)	
Property Taxes	
Homeowners Insurance	
Homeowners Association (HOA) Fees	
TOTAL:	

©2016 by National Endowment for Financial Education

Next, calculate what percentage of your monthly income goes to your housing expenses. This calculation often is used by mortgage lenders to determine how likely you are to be able to repay a loan. For example:

Monthly housing expenses = $1,300

Monthly gross income = $4,000

1,300 ÷ 4,000 = 0.325

(move the decimal two places to the right)

= 32.5 percent

Monthly Housing Expenses (total from above)	
(divided by)	÷
Monthly Gross Income (before taxes)	
(move the decimal two places to the right)	=
My Housing Costs Percentage:	%

Are You Cost-Burdened?

If your housing costs are more than 30 percent of your monthly income, then you might be "cost-burdened," meaning that it could be difficult for you to meet other debt obligations. Mortgage lenders typically like to see your housing costs no higher than 28 percent of your gross income. If you do not meet this guideline, you still might be able to get a loan, but your terms would not be the best available.

©2016 by National Endowment for Financial Education

Calculate Your Debt-to-Income Ratio (DTI)

In addition to your housing costs percentage, mortgage lenders look at the total amount of consumer debt you have compared to your income. Consumer debts include any loans, credit cards and other debt payments such as alimony.

Debt Payment	Monthly Amount
Mortgage (Including Principal, Interest, Taxes and Insurance—also called "PITI")	
Student Loan(s)	
Auto Loan(s)	
Personal Loan(s)	
Credit Card (Minimum Payment)	
Credit Card (Minimum Payment)	
Alimony and/or Child Support	
Other	
Other	
TOTAL:	

©2016 by National Endowment for Financial Education

Next, use your monthly gross (before taxes) income to calculate your debt-to-income ratio. For example:

Monthly debt payments = $800

Monthly gross income = $4,000

800 ÷ 4,000 = 0.20

(move the decimal two places to the right)

= 20 percent

Monthly Debt Payments (total from above)	
(divided by)	÷
Monthly Gross Income (before taxes)	
(move the decimal two places to the right)	=
My Debt-to-Income (DTI) Ratio:	%

What's Your DTI?

Mortgage lenders typically like to see your debt-to-income ratio — mortgage payments (PITI) and consumer debts — taking up no more than 36 percent of your gross income. If you are renting currently and looking to buy a home, lenders will total your rent, utilities and renters insurance to estimate how much you might be able to afford in a mortgage.

©2016 by National Endowment for Financial Education