



LENDING ADVISORS



SAMPLE DEBT TO INCOME RATIO CALCULATION ALSO KNOWN AS MORTGAGE STRESS TEST

Example: John and Mary are first time home buyers and would like to apply for a mortgage. John works for a manufacturing company and earns a guaranteed salary of \$40,000 per annum. Mary works for a pharmaceutical company earning \$60,000 per annum. John and Mary recently took out a loan to purchase a vehicle with a \$350 monthly payment. In addition, both have credit cards with payments of \$50 per month. They both have savings totaling \$30,000 and would like put down 5% towards the purchase and would like to have additional funds available for additional security.

Their Gross Debt to Service and Total Debt to Service Ratio Calculation is calculated per below.

Combined Monthly Household Income: \$8,333 (\$100,000 / 12 months)

Home Purchase Price	\$450,000
Less: 5% Down payment	<u>< 22,500 ></u>
	\$427,500
Add: 4% Mortgage Insurance Premium	<u>17,100</u>
Total Mortgage Principal	\$444,600

Monthly Mortgage Payment \$2,532.92 / month (using qualifying benchmark rate of 4.79%)

Gross Debt Service Ratio Calculation (GDSR)

Mortgage Payment	\$2,532.92
Estimated Property Tax	350.00
Estimated Heat Consumption	100.00
Total Monthly Housing Cost	\$2,982.92 / month

Total Monthly Housing Cost	\$2,982.92	=	35.79%
<hr/>			(Max 39%)
Monthly Income	\$8,333.00		

Total Debt Service Ratio Calculation (TDSR)

Total Monthly Housing Cost	\$2,982.92
Other Monthly Debt Payments	400.00
Total Monthly Debt Payments	\$3,382.92 / month

Total Monthly Debt Payments	\$3,382.92	=	40.5%
<hr/>			(Max 44%)
Monthly Income	\$8,333.00		

This calculation demonstrates with Household Income of \$100,000 per year, John & Mary can qualify to purchase a \$450,000 house with 5% down payment.