



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 to 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 | < 22,500 > |
| | \$427,500 |
| Add: 4% Mtg Insurance | 17,100 |
| Total Mortgage Principal | \$444,600 |

Monthly Mortgage Payment **\$2,672.54 / month** (using qualifying benchmark rate of 5.34%)

Gross Debt Service Ratio Calculation (GDSR)

| | |
|----------------------------|--------------------|
| Mortgage Payment | \$2,672.54 |
| Estimated Property Tax | 300.00 |
| Estimated Heat Consumption | 100.00 |
| Total Monthly Housing Cost | \$3,072.54 / month |

| | |
|---------------------------------|---------------------------------|
| Monthly Housing Cost \$3,072.54 | = 36.9% GDSR Max. 39% |
| Monthly Income \$8,333.00 | |

Total Debt Service Ratio Calculation (TDSR)

| | |
|-----------------------------|--------------------|
| Mortgage Payment | \$2,672.54 |
| Estimated Property Tax | 300.00 |
| Estimated Heat Consumption | 100.00 |
| Other Monthly Debt Payments | 400.00 |
| Total Monthly Debt Payments | \$3,472.54 / month |

| | |
|----------------------------------|---------------------------------|
| Monthly Debt Payments \$3,472.54 | = 41.7% TDSR Max. 42% |
| 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.