

Buying a Home

Most mortgage lenders require home buyers spend less than 30% of their Annual Adjusted Income on home mortgage payments (Family Contribution). Use this sheet to determine what your Family Contribution should be to meet the lenders' guidelines.

Computing Annual Income (How the 30% is determined)

Annual Income is determined by calculating:
Anticipated total (or gross income) minus allowable exclusions.

Part One: Calculating Annual Income

1. Multiply hourly wages by the number of hours worked/year
(2080 hrs.' for full-time employment with a 40- hour work week and no overtime)
2. Multiply weekly wages by 52
3. Multiply bi-weekly wages by 26
4. Multiply semi-monthly wages by 24
5. Multiply monthly wages by 12

Compute Total Income		
Instructions	Example (Hourly wages)	Your Income
Wages (Hourly)	11.00 hrs. x 40 hrs./week = \$440	
Multiply weekly wages by 52 weeks (to get wages for 1 year)	\$440 x 52 = 22, 880	
Multiply monthly benefits by 12 months	Social Security: \$600 x 12 = \$7,200	
Add all income	Total Annual Income = \$30,080	(A)\$

Part Two: Income after Allowances

You Can Deduct Certain Expenses		
Instructions	Example (Hourly wages)	Your Deductions
<u>\$480.00 Deduction</u> for each minor under 18 yrs. of age	2 minors x \$480 each = \$960	
Child care expenses	\$ 0	
Other expenses	\$ 0	
Total Deductions	\$ 960	(B)\$
Part one (A) minus part two (B) = Adjusted Annual income (C)	\$ 29, 120	(C)\$

Part Three: Family Contribution

What is 30% of your Adjusted Annual Income		
Instructions	Example (Hourly wages)	Your Family Contribution
Adjusted Annual Income (C) divided by 12 x 0.30 = 30% adjusted monthly income.	\$ 29, 120 ÷ 12 = \$2,427 \$2,427 x 0.30 = \$728 (Family Contribution)	\$