🏠 **Buying a home?**

Don't just guess what you can afford.

We built a calculator that uses **time-tested financial principles** (shoutout to NerdWallet & MoneyUnder30) to help you stay stress-free. Here's how it works 🧵 👇

1/ **Financial principles built into the Calculator:**

- ✅ **28/36 DTI Rule (Debt-to-Income Ratio):**
  - **Front-end DTI** = Mortgage payment shouldn't be more than 28% of gross income
  - **Back-end DTI** = Total debt payments shouldn't be more than 36% of gross income
    DTI helps you measure how much of your income goes to debt. Lower is better—banks look at this to decide how much you can borrow.
- ✅ **50/30/20 budget:**
  - 50% needs (housing, transportation, etc.)
  - 30% wants (fun stuff)
  - 20% savings + debt repayment
- ✅ **3x income rule:** Keep your home price ≤ 3x your annual income

These principles help protect your finances and prevent buyer's remorse 🛟. Let's dive into the process 👇

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2/ **Step 1:** We analyze your **DTI**.

Lenders typically allow a max mortgage payment of 28% of your gross income. If your back-end DTI (total debt) exceeds 8% beyond that (36% total), we lower your max mortgage payment to stay within safe limits.

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3/ **Step 2:** We calculate your max monthly mortgage payment based on the 28/36:

- Max 28% of your gross income for mortgage 🏡
- Max 36% for total debt 💳

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4/ **Step 3:** We calculate how much you can borrow based on that payment.
We factor in:

- Down payment
- Interest rate
- Loan term
- Property taxes, PMI, HOA fees, and insurance

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5/ **Step 4:** We calculate your **net income**.
Gross income isn't spendable income. After taxes, Social Security, and Medicare, your real take-home pay might be much lower 💵 and is what's used for the 50/30/20 budget rule.

6/ **Step 5:** We check if your mortgage fits the **50/30/20 rule:**

- 50% needs (housing, transportation, insurance)
- 30% wants (entertainment, hobbies)
- 20% savings & extra debt payments 💰

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7/ **Steps 6-7:** We also run multiple **budget scenarios** with different savings rates of 15% and 25% in addition to the standard 20%.

This helps you see how different home prices affect your ability to save and stay flexible.

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8/ **Step 8:** We calculate full housing costs for each scenario:
Mortgage + property taxes + insurance + HOA fees + PMI (if needed).
You get a realistic breakdown of what's affordable—and what's risky 🏚️.

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9/ **Step 9:** We bring it all together:

- Max home price banks might approve 🏦
- Comfortable home prices for your budget 💰
- Payment breakdowns & tax implications 📊

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🔑 **Key takeaway:**
Banks approve based on their risk assessment. We focus on *your* financial health. This calculator shows what you can comfortably afford without sacrificing your savings.

Avoid regret. Sleep better. Enjoy your new home. 😴🏡