

Calculate Debt Service Ratios

Aim at consuming no more than about 32% of your gross monthly (pre tax) income for housing payments (including heat, property taxes and, if applicable, 50% of condominium fees if you are thinking of a "condo"). This amount is referred to by mortgage lenders as the Gross Debt Service Ratio (GDS). Do this calculation to find out how much you can put towards housing payments.

Description/Details	Value
Your gross monthly income (before taxes & deductions)	\$ _____
Your spouse's gross monthly income	\$ _____
Other income (monthly)	\$ _____
TOTAL	\$ _____
Multiply the total by 32% to find out your monthly mortgage payment ceiling	\$ _____

Total Debt Service Ratio

You may have other monthly financial obligations such as car and credit card payments, property taxes, other loans, etc. The relationship between these all monthly debts plus your mortgage, and your gross monthly income is called Total Debt Service Ratio (TDS). The general rule is that these total monthly payments should not exceed 40% of your income.

Description/Details	Value
Monthly debt payments	\$ _____
Monthly mortgage payments	\$ _____
TOTAL	\$ _____
These payments should consume no more than 40% of your total gross monthly income (your annual income before taxes & deductions divided by 12).	\$ _____

Formula for calculating the TDS ratio is:

$$\frac{\text{MORTGAGE PAYMENT + TAXES + HEATING + ALL OTHER DEBTS}}{\text{GROSS MONTHLY INCOME}} \times 100$$

If your GDS and TDS ratios are very close to maximum, you will need to carefully consider how all your living expenses can be met before making a commitment. Use this worksheet as tool to calculate and analyze your financial situation and use this information as a guideline in establishing an appropriate price range for your new home.