

How Much You Make And Home Buying

The amount of income that you have is a key element in determining what amount of home you can afford, who will give you a loan and just how much it will cost you to purchase that home. But, how much money do you need to make to buy that dream house that you want? Perhaps you want to build a home. This is key information to know so that you can know where you stand in terms of finding the right mortgage for your loan. The good news is that with a bit of information and the tool of a mortgage calculator, you can find the answers to your questions that you need.

What Your Lenders Are Looking For

For those looking to purchase a home, there are many factors that go into getting the mortgage for that loan. In fact, lenders are likely to look at various things to determine what level of risk you are. The higher the risk you are, the less likely you are to get a low interest rate or even to get a loan at all. On the flip side, lenders want to loan you money and therefore put in place a variety of qualifications to help you to qualify for the loan. Here are some things that they will look at.

- **Your Income:** The amount of money that you bring in must meet their needs in terms of you being able to make a monthly payment on a loan and to meet your other financial obligations. If you do not make enough, you are likely to default on your loan and cost them money.
- **Your Credit Score:** Your credit score is also important. This shows lenders that you are qualified to purchase a loan because it shows how responsible you are in terms of making your monthly payments. The better your credit score is, the more affordable the loan will be to you in the long run with a lower interest rate. All lenders have credit score qualifications in place.
- **Your Employment History:** Another qualifying factor is having employment that is long term. This shows that you are likely to continue on with a good, steady employment and therefore have the money to make payments monthly.

These are just some things that your lender will look at to judge how much of a risk you are. They also look at your debt to income ratio, which shows how much debt you have to the income that you have, your references and your repayment history on other loans, including home loans that you have had. All of this information comes down to a decision by the lender. Are you a good investment to the lender?

Why Does What You Make Matter?

When all of this is said and done, your lender is still looking at what you make. Why does this matter? The fact is that unless you make enough money to pay your monthly payments on your current loans plus what you are looking to borrow then they are not going to lend more money to you. Do you make enough, then?

To answer that question, you need to take into consideration a few things. A good way to find out more information in terms of how much you will need is to use a mortgage calculator that calculates just how much you'll need to earn to qualify for the home purchase that you want. The best way to show you just how much you will need to earn is to give you a few examples.

Loan you want to borrow: \$200,000

Interest rate that you will have: 7 percent

Term of the loan: 30 years

Annual real estate taxes: \$3500

Monthly debt obligations (how much you owe to others): \$1000

You will need to earn, per year: \$87,410 to qualify for this loan.

What does this information mean to you? First, it shows you just how much money you will need to earn to qualify for a loan through the lender. If you have other factors, consider them. For example, perhaps you qualify for a lower interest rate or you are willing to pay off your mortgage loan in 40 years instead of 30 years. These things will help to pay off your loan faster and without paying as much. You will also want to find out what the real estate taxes for the area you are considering buying is before getting started. Usually, you can do this on the Auditor of that county/state.

Debt Obligations Hurting You?

For many potential future homeowners, the largest consideration of whether or not they can afford a home comes into play in their debt obligations besides their mortgage payment. If you owe money to things like credit cards, personal loans, car loans or other real estate loans, you will need to make a considerable amount more money per year to qualify for the loan that you need and want. If you can lower the amount that you owe here, you can save considerably on your loan because you will be able to put more to it.

In terms of how much you will need to make, if you did not have so many obligations towards other loans, you would qualify for a loan with much less per year.

Use the same figures as above, but with only \$500 in debt obligations. You know have a scenario like this. Now, you only need to make \$70,800 per year to qualify for this loan. You can determine what your own qualifications are by simply using a mortgage calculator to help you.

Remember, too that you can use a [mortgage calculator like this](#) to actually help you to determine how much of a home you qualify for taking what you are currently making. Change the loan terms and the borrowed amounts to match your current situation. You are likely to see just what amount of home works for you.

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