



## Calculating Your Homebuying Costs

### How much mortgage can you afford?

Many people estimate that they can afford a mortgage of 2 or 2½ times their household income. For example, if a family's household income is \$40,000, they might be able to afford a mortgage of \$80,000 to \$100,000. Keep in mind that just because you may be able to borrow that amount, it doesn't mean you can afford or feel comfortable with the monthly payments required. You need to consider your particular circumstances and your future financial needs and goals.

Mortgage lenders usually require your housing expenses to be less than or equal to 25-28% of your monthly pretax income. So, for example, if your monthly pretax income is \$3,500, your mortgage payment should be \$980 or less.

### Homebuying costs

The three major costs related to buying a home are the down payment, closing costs, and moving and settling-in costs. Here is more information about each:

- **Down payment**  
Lenders generally require borrowers to make at least a small down payment. The amount depends on the price of the home and type of mortgage you get. Down payment requirements vary, usually ranging from 3% to 20% of the home purchase price. The size of the down payment you're able to make affects the amount of money you'll need to borrow. The amount that you put down affects the loan decision, the size of your monthly mortgage payments, and the amount of cash that you have available for other homebuying costs.
- **Closing costs**  
Closing costs are fees that must be paid to complete the transfer of the property from the seller to the buyer. Closing costs also include the fees for the mortgage loan. Typical closing costs may include the origination fee, discount points, appraisal, credit report, title insurance, attorney's fees, survey, and prepaid items such as tax and insurance escrow payments. Talk to a real estate professional to gain a more detailed understanding of these fees. Prepaid closing costs are any items that must be paid before the loan closing. All these payments must be made no later than the time of settlement. Closing costs can vary, but usually run from 2% to 7% of the mortgage loan amount.
- **Moving and settling-in costs**  
You may have costs associated with moving into your new home, even if you move yourself rather than hiring a professional moving company. The amount of your moving and settling-in costs will vary, depending on how far you are moving and how much repair work needs to be done. There are likely to be expenses such as new appliances and home improvements, like painting or replacing carpets. You may also need or want to purchase furniture for your new home.

We invite you to contact Wells Fargo for further information and assistance. Visit our Web site at [wellsfargo.com](http://wellsfargo.com) or any Wells Fargo store.