

Assignment 3 – Gross Debt Service Ratio

- Complete the following on a separate piece of paper. Be sure to show your work!
- 1) The Wilson's would like to buy a house with a mortgage payment of \$840. They estimate the heating costs to be \$180 per month and the monthly property taxes are \$220. The family's gross monthly income is \$4500.
 - a) Calculate the Wilson's GDSR.
 - b) Would you suggest they purchase this house? Explain.

 - 2) A couple want to buy a house with a monthly mortgage payment of \$727.50. The gross family income is \$3100. They estimate the heating costs to be \$175 per month and the property taxes will be \$185 per month.
 - a) Calculate the couple's GDSR.
 - b) Will the bank qualify them for the mortgage? Explain.

 - 3) Tim and Kim have a combined gross monthly income of \$3700. They are considering purchasing a condo with a monthly mortgage payment of \$650. They estimate the annual heating costs to be \$2520. Annual property taxes are \$2220.
 - a) Calculate the couple's GDSR.
 - b) Would you suggest they purchase the condo? Explain.

 - 4) Lucy is looking at buying a new house. The house that she likes would have monthly mortgage payments of \$837, heating costs of \$215, and property taxes of \$232. What is the minimum gross monthly income that she needs so that the bank will consider this purchase to be affordable?

- 5) Tyson wants to make monthly payments of \$1600 on the house he hopes to buy. His gross monthly income is \$5500, the monthly property taxes are \$330 and the monthly heating is \$180.
- a) Calculate Tyson's gross debt service ratio.
 - b) Tyson really wants this house! Identify two ways he can lower his GDSR.
- 6) Shawn is asking the bank to approve his mortgage application. He earns \$6000 gross each month. He hopes to purchase a home using a \$200 000 mortgage amortized over 25 years at 7%. He has \$40 000 saved for a down payment. The annual property taxes for the home are \$3587.00 and estimated monthly heating costs are \$200.
- a) Determine the maximum affordable home Shawn can apply for.
 - b) Can he purchase the \$200 000 home? Explain.
- 7) You are planning to purchase a home. Your family has a gross monthly income of \$4400. You are able to make a \$20,000 down payment towards the purchase of a home. The bank offers you an interest rate of 6%. You estimate your monthly property taxes to be around \$230 and your heating costs to be about \$120 per month. Calculate the maximum price you can pay for a home.