

Create a budget.

- Total monthly household income, including any investment profits or alimony
- Estimated monthly mortgage
- Homeowners insurance
- Utilities
- Car payments
- Student loans
- Average credit card payments
- Home maintenance costs, such as new furniture, repairs, services such as lawn care, homeowners' association dues, or appliance maintenance.

As a rule, your mortgage and other debts shouldn't exceed 36% of your total monthly income. So, again, if your household income is \$4,000 and you pay \$500 a month in expenses:

$$\begin{aligned} & \$4,000 \times .36 = \$1,440 \\ & \quad \underline{- \$500 \text{ expenses}} \\ & = \$940 \text{ remaining income} \end{aligned}$$

You're now looking at a monthly payment closer to \$900 than \$1,100.

