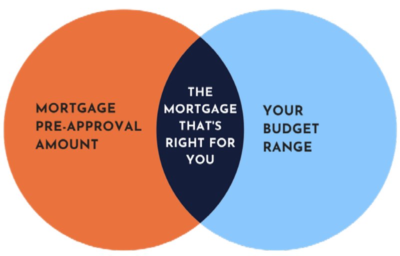
Community Action
Partnership of Hennepin County

National Homeownership Month
Mortgage Loans & Mortage Payments



LOAN APPROVAL VERSUS LOAN AFFORDABILITY
Did you know that the amount you *can borrow* for a mortgage loan may be different from the amount you *can afford to borrow*? Lenders often approve home loans that result in a larger monthly payment than homebuyers can afford.
Mortgage lenders use annual income, credit history, and other factors to determine the amount of, and interest rate for, a home loan. What you can afford should be based on your monthly budget and homeownership goals. And don't forget to think about taxes, home maintenance, and mortgage insurance expenses! Though the amount of affordable mortgages is different for each household, a common guideline is for mortgage payments to be no more than 28-30% of your household income.

HOUSING BURDEN
HUD* defines housing cost burdened households as households paying more than 30% of their income for housing. Cost burdened households may have difficulty affording housing costs as well as other basic needs like food, clothing, and healthcare. Households paying more than 50% of household income are considered severely housing burdened.

According to Minnesota Compass, 42% of homeowners in Hennepin County are housing burdened. To avoid being housing burdened, plan ahead (see our post about Savings & Credit) and make a realistic budget. Then, work with your mortgage lender to get monthly payment estimates for your mortgage loan. If monthly payments are more than you have budgeted, resist the temptation to go beyond your budget limits —even if you've been pre-approved for a loan of that size.

HOMEOWNERSHIP & WEALTH
Although it is not a guarantee of successful wealth accumulation, homeownership is one of the best ways for families to build wealth now and for future generations.

What are your homeownership goals? Want help making a plan to reach them? CAP-HC provides Homebuyer Workshops as well as Homebuyer Counseling. Learn more at caphennepin.org today!

**U.S. Department of Housing and Urban Development*