

# SET YOUR HOMEBUYING BUDGET



Buying a home comes with a lot of questions, but the most important is, “How much can I afford?”

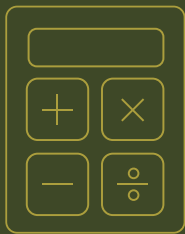
Answering the question of how much you can afford starts by finding an affordable monthly payment amount.

Your monthly payment will depend on many factors, but the two most important are the total price of the home and the amount of down payment you can afford.

## Mortgage Calculator

Iowa Finance Authority recommends using a mortgage payment calculator to help establish a budget before you start shopping for homes.

The calculator will allow you to experiment with different home prices and down payment amounts to find a monthly payment that is affordable for you.



Try out a  
mortgage  
payment  
calculator  
here.



## Understanding Your Monthly Payment

Your monthly mortgage payment is made up of a few different elements, including the principal amount, interest, taxes and possibly mortgage insurance, depending on your down payment amount.

### Principal and Interest

Principal is the amount you pay every month to decrease the balance on your loan. Interest is an additional expense charged by the lender in exchange for the loan.

### Taxes and Fees

Property taxes are calculated by the local government and are based on the value of the property.

### Mortgage Insurance

This protects lenders in case the borrower is no longer able to make their monthly payments. Most lenders require mortgage insurance with a down payment of less than 20% of the home price.

## Don't Forget Other Monthly Costs

Your monthly payment is the largest expense related to homeownership, but it's not the only expense. Be sure to keep the following expenses in mind when planning your monthly expenses.

- ✦ Utilities
- ✦ Ongoing repairs
- ✦ Routine services
- ✦ Insurance
- ✦ Taxes and Fees

Source: NerdWallet



IOWA FINANCE  
AUTHORITY

[iowafinance.com/welcomehome](https://iowafinance.com/welcomehome)