

QUALIFYING PROBLEM

Johnny Johnson is a commissioned salesperson. Income tax returns verify that he has an average income of \$46,800 per year. His wife, Jennifer, has a secretarial position earning \$38,000 per year. They are considering an offer of \$275,000 for a house, for which they will need an 80% mortgage loan. The monthly payment on this loan at 7% interest will be approximately:

- Principal and interest \$1,469
- Property tax \$ 310
- Hazard insurance \$ 190

The Johnson's other monthly debt payments include a car payment of \$366 per month and credit card payments averaging \$621 per month.

Calculate the front end ratio:

- Total monthly house payment
- Total monthly income
- Front end ratio

Calculate the back end ratio:

- Total monthly house payment + other monthly debts
- Total monthly income
- Back end ratio

Do the Johnsons qualify?