



THE 30-30-3 THUMB RULE FOR BUYING A HOUSE

By Vibhuti Marolika

In which area are you planning to buy a house? _____

How large is the house you want to buy? _____

What is your monthly income? A: _____

The 30-30-3 thumb rule is meant to be a guide to help you understand if the house purchase you are about to make is stretching your finances too thin. Assuming you have no other loan, the rule considers:

1. Having the cost of the house be not more than 3 times your annual income

$$\text{Cost of House} < (3 \times 12 \times A) = B \text{ _____}$$

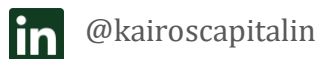
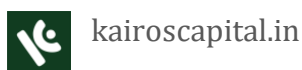
2. Having a minimum down payment of 30% of the cost of the house

$$\text{Down payment} > 0.3 \times B = \text{_____}$$

3. Having an EMI of not more than 30% of your monthly income

$$\text{EMI} < 0.3 \times A = \text{_____}$$

Talk to your banker and your real estate broker to see if you are able to find a property within these parameters. Or get in touch with us to see how you can save up to purchase this property in the future.



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