DETERMINING AFFORDABILITY

Before you start searching for an apartment, it’s important to know how much you can afford. Take a look at your monthly income. As a rule of thumb, you should only be spending 30% of your gross income on housing (rent and utilities) so that you can also afford food, transportation and healthcare.

**$16.18**

The hourly wage needed for a single adult to rent an affordable two-bedroom apartment in North Dakota, costing $841, based on HUD’s fair market rents.

Let’s say Betty makes $16.18 an hour and typically works 40 hours a week. Here is how we would determine her monthly income.

**Hourly wage × hours worked per week × 52 weeks ÷ by 12 months.**

$16.18 × 40 = $647 × 52 = her annual income of $33,644 ÷ 12 = $2,804.

To ensure that she is not going to be paying more than 30% of her gross income, we’ll take her monthly income of $2,804 × 30% or .30 = $841.20.

**DON'T FORGET UTILITIES**

Utilities in an apartment usually include water, heat, electricity, cable/internet. In some cases, some utilities are included in your rent payment, but it is important to get that information up front. You should assume that utilities will equal about 18% of your rent depending on your location and type of rental. To figure out your utility cost take your rent $841 × 18% or .18 = $151.38, for a total housing payment of $992.38. If the apartment that Betty is interested in does not include utilities, the total of rent and utilities should not exceed $841. This means Betty can afford $690 for rent and an 18% utility payment of $151.38. It is important to understand what is included in your rent payment and to budget for these expenses.

**YOUR FIRST MONTH**

The first month in your new apartment, you should be prepared to pay first month’s rent, a security deposit and utilities.

In Betty’s case, her rent is $841. Her landlord is asking for a security deposit of $700 and she figures her utilities will be around $130. She needs to save approximately $1,671 before she can move.

Having a good handle on your income and expenses and budgeting for the future is a great first step in beginning your rental search.

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1 Gross income is defined as your salary or wages before any deductions are taken.

2 Fair market rent is the amount of money a property would rent or lease for if it were available at this time.

3 In North Dakota, a security deposit cannot exceed the amount of one month’s rent. If the tenant owns a pet, the landlord may require a “pet deposit” not to exceed the greater of $2,500 or two months to cover any pet-related property damage. This amount includes the regular deposit, Legal Services of North Dakota, www.legalassist.org.