



# Debt-to-income ratio: FAQs

A healthy debt-to-income ratio is an indicator of financial stability. Just as the term implies, this ratio compares the amount of money you pay toward debt against your income.



A stable debt-to-income ratio is anything 43% and lower. Someone with a higher percentage may struggle to make ends meet and keep up with their payments.

When applying for a mortgage, lenders will use this number as a determining factor, so it's essential to know where you stand. In most cases, you must have a debt-to-income ratio under 43% to get a qualified mortgage when buying a home.

## CALCULATE DEBT-TO-INCOME RATIO

**The equation looks like this:**

Total monthly debt payments  
÷ monthly gross income (before taxes) = debt-to-income ratio

**Here's an example:** Let's say you make \$6000 each month before taxes, and you have an \$1800 mortgage, \$300 car payment, \$150 student loans, and \$50 credit card payment.

$(\$1800 + \$300 + \$150 + \$50) \div \$6000 = \text{debt-to-income ratio}$   
 $\$2300 \div \$6000 = 0.38$   
Your debt to income ratio is 38%.

## BILLS AS DEBT

- Monthly rent or house payment
- Auto, student, or other monthly loan payments
- Monthly alimony or child support
- Monthly credit card payment
- Any other debt