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) ÷ $6000 = debt-to-income ratio
$2300 ÷ $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

© American Institute for Preventive Medicine. All Rights Reserved. **HealthyLife.com**