Debt-to-Income Ratio

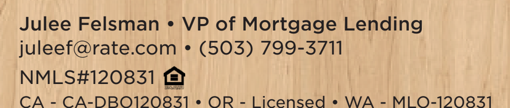
When assessing the amount a person is eligible to borrow, lenders rely heavily on a ratio of the borrower's monthly debt to monthly income. This ratio is called a "debt-to-income" ratio or DTI.

The math is pretty simple: Add up all of your minimum monthly payments and divide by your monthly, pre-tax income. That's your "back" debt-to-income ratio. Lenders also calculate a "front" debt-to-income ratio, which is the cost of your total primary housing expense (including the loan, taxes, insurance, mortgage insurance and HOA dues).

DTI ratios of 33/43 (ballpark) generally make an underwriter very happy. That's a total house payment of no more than 33% of your income and total monthly payments of no more than 43% of your income. Although it is worth noting that we close lots of loans with higher DTI ratios.

As simple as DTI ratios are, deciding exactly what debt and what income goes into them can take some effort. Behind the scenes we'll be navigating rules regarding exactly what counts as income and debt and documenting everything according to the requirements for the loan you've chosen.

EMPLOYEES OF GUARANTEED RATE INC.
WORKSHOP
TEAM



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