What is a Debt-to-Income Ratio?

One of the quickest & most revealing ways to get a handle on your current financial picture is to calculate your debt-to-income ratio.

Lenders look at your debt-to-income ratio when they are considering if you are credit-worthy.

Your debt-to-income ratio is calculated by dividing monthly minimum debt payments, including your proposed mortgage payment by your monthly gross income.

For example, a couple with a combined monthly gross income of $7,500 making minimum payments of $800 on loans and credit cards, that has a proposed mortgage payment of $2300 has a debt-to-income ratio of 41% ($800+$2300/$7500 = .41).

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