Debt to Income Ratio

Your *debt to income ratio* is how much you owe in debts vs. how much income you make. It measures your ability to make current debt payments by dividing your debts by your take-home pay. Note that items like groceries and utility bills are usually not included. This number helps us consider how much your monthly debt is compared to your monthly income. Your debt-to-income ratio can be a valuable number -- some say as important as your credit score. Ideally, your minimum monthly debt should be no greater than 36% of your gross income.

Step 1: Calculate your *monthly debt.*

Monthly debt payment:	Amount:
Minimum credit card payment 1*	$
Minimum credit card payment 2	$
Monthly car payment	$
Other debt payment 1	$
Other debt payment 2	$
Expected mortgage payment	$
Total	$

*Your minimum credit card payment is not your monthly balance. It is your required minimum payment. It is recommended to pay as much over the minimum as possible to not accumulate interest.

Step 2: Add up your total *gross monthly income* (the amount you receive before taxes or deductions are taken out). Gross income can include wages, tips, benefits, alimony, business income, capital gains, dividends, CD account interest, pension, and more.

Step 3: Divide your total monthly debt amount by your total gross income.[90]

Monthly debt:	$
Monthly income:	$
Debt to income ratio:	____%

[90] Original material from Peerlink National Technical Assistance Center.