WHY DTI IS A BIG DEAL

THE DEBT-TO-INCOME (DTI) RATIO IS THE PERCENTAGE OF YOUR INCOME THAT GOES TOWARDS PAYING MONTHLY DEBTS. JUST LIKE YOUR CREDIT SCORE AND JOB STABILITY, IT PLAYS A BIG ROLE IN GETTING YOU APPROVED FOR A HOME LOAN.

HOW IS DTI CALCULATED?

MONTHLY DEBTS ÷ GROSS MONTHLY INCOME = DTI

EXAMPLE $2,000 debts ÷ $5,000 gross income = **40% DTI**

WHAT COUNTS AS DEBT FOR DTI?

Anything included in a credit report would be considered as debt. Those items include:

- Auto loans
- Credit cards
- Student loans
- Mortgage payments
- Retail credit cards
- Other installment loans

What about rent payments and other living expenses? Rent isn't included, but the lender will count your new monthly mortgage payment towards your DTI. Utilities, health insurance, food, gas, and discretionary expenses aren't included in DTI.

WHAT'S A GOOD DTI?

For most mortgage programs, 43% is the highest DTI ratio lenders allow. Which means 43% of income goes to paying the new mortgage payment and current debts. A low DTI shows the lender you can afford your new mortgage payment in addition to your current debts. But there are options available for qualified borrowers with higher DTI ratios.

CONTACT ME TO LEARN MORE

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