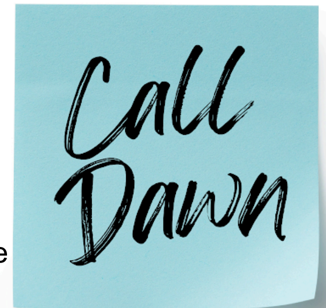
Debt-to-Income Ratio



When evaluating how much a person can borrow, lenders place significant importance on the **debt-to-income (DTI) ratio**. This crucial metric compares a borrower's monthly debt to their monthly income. To calculate your **back debt-to-income ratio**, simply add all your minimum monthly payments and divide that sum by your gross monthly income. Additionally, lenders assess the **front debt-to-income ratio**, which accounts for your total primary housing expenses, including your loan payment, taxes, insurance, mortgage insurance, and HOA dues.

A common benchmark for DTI ratios is 33/43, indicating that your total housing payment should not exceed 33% of your income, while your total monthly debt payments should be limited to 43% of your income. However, it's important to note that many loans are successfully closed with higher DTI ratios.

Although calculating DTI ratios is straightforward, determining which debts and income sources to include can be more complex. Behind the scenes, we navigate specific guidelines regarding what qualifies as income and debt, ensuring that all documentation aligns with the requirements of your chosen loan.

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