MANNY MOSQUERA
FOR MORTGAGES

DEBT TO INCOME RATIOS

Your debt to income ratio is all of your monthly debt (as it appears on your credit report) divided by your gross monthly income. For self-employed borrowers, it is your monthly debt divided by your net income.

This is one of the most important gauges in showing your ability to manage the payments you will be required to make every month to repay the mortgage while carrying your current debt. Coincidentally, it is also the easiest to miscalculate.

Studies have shown the people with higher debt to income ratios are at a higher risk of finding themselves in financial trouble. As a result, those with lower ratios are deemed more attractive borrowers in the eyes of the lender due to the likely hood of less risk.

Borrowers with higher debt to income ratios may still be eligible for a mortgage. Most specifically, government-insured mortgages are typically more tolerant of borrowers that have higher debt to income ratios.

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