Extension
UNIVERSITY OF WISCONSIN-MADISON
DANE COUNTY
FINANCIAL EDUCATION CENTER

CALCULATING YOUR DEBT TO INCOME RATIO

First, gather your income information and **make a list of all sources of income** you can think of, not just your paycheck. If your income varies month to month, use an average of the last six months. Your sources of income might include:

- Wages (your net pay after taxes)
- Wages for others in your household
- Public Assistance
- Food Share
- Social Security/SSDI
- Bonuses/Tips
- Unemployment
- Pension
- Child Support
- Occasional Expense Savings Advance
- Interest
- Other Income

INCOME					
INCOME SOURCES	**WEEK 1**	**WEEK 2**	**WEEK 3**	**WEEK 4**	**MONTHLY TOTAL**
TOTAL INCOME					

Next, one of the most important things you will need to do can also be one of the hardest: **making a list of your debts**. These can include student loans, credit cards, bank loan, car loan, collection agencies, medical expenses, and home loans. Knowing the interest rate and the other terms of your agreement will help you make smart decisions about which debts you are going to try to pay off faster.

CURRENT DEBT In good standing and still open				
CREDITOR NAME	**INTEREST RATE**	**CREDIT LIMIT**	**MONTHLY MINIMUM PAYMENT**	**CURRENT BALANCE**

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OLD DEBT In collections or judgements			
COLLECTING COMPANY	ORIGINAL CREDITOR	DATE OF LAST	OUTSTANDING BALANCE

STUDENT LOAN DEBT			
LENDER NAME	LOAN STATUS (current, in deferment, in default)	MONTHLY PAYMENT AMOUNT	OUTSTANDING BALANCE

Finally, it is time to **calculate your debt to income ratio**. This is a good way to see if the amount of debt you have is in line with your income. This ratio is often used by creditors to help them decide you can handle additional debt. Basically, this ratio compares how much you owe to how much you make. Add all of the current minimum monthly payments for your credit accounts and loans. Divide that total by your total monthly income. Multiply that by 100 to get your ratio.

The lower your debt to income ratio, the better your financial condition. Mortgage and auto lenders typically look for a debt to income ratio of 36% or less before offering a loan.

CALCULATE YOUR DEBT TO INCOME RATIO

Total Monthly Debt = $ ____________________ (1)

Total Monthly Income = $ ____________________ (2)

(1) _________________ ÷ (2) ______________ = (3) _________________

(3) _________________ X 100 = _____________________ %

Your Debt to Income Ratio is ____________________ %.