What is Debt-to-Income Ratio?

Worksheet

Debt-to-Income Ratio (DTI) = total monthly debt payments ÷ gross monthly income × 100. A lower DTI indicates better financial health and increases chances of loan approval.

$$DTI = D/I \times 100$$

DTI = Debt-to-Income Ratio (%)
D = Total monthly debt payments (USD)
I = Gross monthly income (USD)

Questions

1. Monthly income 3,000, monthly debt900. What is DTI?

A) 20%
B) 30%
C) 40%
D) 50%

2. What does a 50% DTI ratio typically indicate?

A) Excellent credit
B) Good credit status
C) High-risk borrower
D) Excellent repayment ability

3. Which of these counts toward your DTI?

A) Utilities and groceries
B) Mortgage + auto loan + credit cards
C) Gas and phone bill
D) Parking tickets

4. Best DTI for qualifying for a mortgage?

A) Below 20%
B) Below 36%
C) Below 50%
D) Below 65%

5. Monthly gross income 4,000, total monthly debt payments800. Calculate DTI.

6. Income 5,500, credit card300 + student loan 450 + mortgage1,200. Find DTI.

7. Income 2,800, debt336 per month. Calculate DTI.

8. Define: What does DTI stand for?

9. Define: What DTI ratio is considered good?

10. Define: How is DTI calculated?

Answer Key

1. B) 30% — 900 ÷3,000 × 100 = 30%.
2. C) High-risk borrower — Most lenders see >43% DTI as high-risk and often deny loans.
3. B) Mortgage + auto loan + credit cards — DTI includes all recurring debt obligations (loans and credit accounts).
4. B) Below 36% — Lenders typically prefer DTI under 36% for mortgage qualification.
5. DTI = (800 ÷4,000) × 100 DTI = 0.20 × 100 DTI = 20%
6. Total debt = 300 +450 + 1,200 =1,950 DTI = (1,950 ÷5,500) × 100 DTI = 35.5%
7. DTI = (336 ÷2,800) × 100 DTI = 0.12 × 100 DTI = 12%
8. Debt-to-Income Ratio — the percentage of gross income going to debt payments.
9. Below 36% is generally considered good; below 20% is excellent.
10. Total monthly debt payments ÷ gross monthly income × 100.