Debt-to-Income (DTI) Ratios

UPDATED 1/28/16 (call us to make sure you have the most recent update)

Each type of loan has a maximum allowable Debt-to-Income (DTI) ratio. However, if the loan is run through the automated underwriting software that is available from Fannie Mae, Freddie Mac, FHA, and VA, the maximum DTI ratios may be exceeded.

The DTI is calculated like this: Add all the monthly payments that show on the borrower's credit report to the total monthly housing payment (principal, interest, taxes, insurance, mortgage insurance, and HOA fees). Then divide that number by the borrower's gross monthly income (income before taxes).

The following table illustrates the maximum DTI ratios for both manual underwriting and automated underwriting (underwriting using the software):

Type of Loan	Max DTI Manual Underwriting	Max DTI Automated Underwriting	Notes
Conventional	36%	45%	
VA	41%	No maximum DTI ratio. With good credit, 50% or slightly higher is common.	
FHA	31% front-end DTI 43% back-end DTI	No maximum DTI ratio. 40% front-end and 50% back-end is common. Slightly higher with good credit.	See below for front-end and back-end definitions

NOTES:

Front-end ratio = total monthly housing payment (principal, interest, taxes, insurance, mortgage insurance, and HOA fees) divided by the borrower's gross monthly income.

Back-end ratio = Add the total monthly housing payments to the total of all the monthly payments on the credit report. Divide that number by the borrower's gross monthly income.

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