Debt Service Ratio

Your debt service ratio is a tool which is used by all lending institutions to determine your eligibility for a loan. These institutions need to ensure that you have the ability to repay the loan before the loan is granted to you.

Lending institutions would prefer that your loan portfolio does not exceed 35 per cent of your total income. This 35 per cent is called the *debt ratio*.

The debt service ratio is calculated as follows:

$$\frac{\text{Amount of Loan(s)}}{\text{Net Income}}$$

Let us now calculate your debt service ratio:

Input the monthly installments on the following where applicable

Mortgage Loan	________________
Motor vehicle loan	________________
Family loan	________________
Hire purchase	________________
Credit card(s)	________________
Credit Union Loan	________________
Bank loan(s)	________________
Other Loan Installments (Total)	________________

Input your monthly receipts from the following where applicable

Net Salary	________________
Rental Income	________________
Pension	________________
Proceeds from Annuities	________________
Other Monthly Income (Total)	________________

$	**Total Debt** (monthly)
$	**Monthly Income** (after taxes)

Your Debt Ratio

If your debt service ratio is less than 35% of your income then you have the ability to repay the loan and the institution will grant you the loan.

If your debt service ratio is more than 35%, the financial institution will not grant you the loan because your debt ratio is deemed to be too high. You will have to first bring down your debt before the loan is granted.