ECFH Financially Speaking
East Caribbean Financial Holding Company Limited

Debt Service Ratio (**DSR**) is a measure that financial lenders use as a means of assessing the level of debt of a potential borrower. This ratio shows the proportion of gross income that is taken up by expenses like housing, utilities, loan payments etc. Most financial institutions use a range of 40- 45% as the maximum percentage of debt to income that a person should have. This means that 40-45% of the individual's income is going towards repayment of debt.

What does this mean for you?

If you have a low **DSR** or one which is within the range then you are well on your way to qualifying for a loan. On the other hand however, if your **DSR** is above the approved level then you may not qualify for the loan. The lending officer may suggest taking the loan for a lesser amount. If your **DSR** is too high, you become over-stretched financially and this may impact you negatively if you were to fall ill or lose your job. It is therefore imperative that you keep your **DSR** as low as possible. One way of doing this is to amalgamate present debts to reduce repayments. You should discuss the best way of restructuring your debt with your financial institution.