

Know What You Owe

	Debt*	Lender/issuer	Interest rate	Monthly payment	Balance
1.	_____	_____	_____	\$ _____	\$ _____
2.	_____	_____	_____	\$ _____	\$ _____
3.	_____	_____	_____	\$ _____	\$ _____
4.	_____	_____	_____	\$ _____	\$ _____
5.	_____	_____	_____	\$ _____	\$ _____
6.	_____	_____	_____	\$ _____	\$ _____

* Debt may include credit cards, charge cards, retail cards, gasoline cards, personal loans, home equity loans, hospital debt, educational loans, rent-to-own agreements, and other installment purchases.

What is your income to debt ratio?

- Take your monthly debt (Loans) payments and divide by total monthly take home pay.

$$\boxed{\text{Monthly loan payments}} \div \boxed{\text{Total monthly net income}} = \boxed{\text{(\%) Debt to income ratio}}$$

$$\$ \underline{\hspace{2cm}} \div \$ \underline{\hspace{2cm}} = \% \underline{\hspace{2cm}}$$

- Less than 30% - Excellent
- 30-36% - Acceptable
- 36-40% - Reduce current debts
- 40% or higher – Heavy debt load (get financial counseling help immediately)

Power pay principal - there are 2 schools of thought- depends on what important to you.

- Pay off loan with **highest APR** – **add extra** to principal on due dates – while paying minimum on all other loans – once that is paid off, taken same amount and apply it to the next loan and continue the cycle to pay all of them off.
- Pay off loan with **smallest balance first** – **add extra** to principal payment on due date, while paying minimum on all loans – once that is paid off, take same amount and apply it to the next loan and continue cycle to pay all of them off.