



Credit Percentage

A credit percentage compares your net monthly income with your total monthly credit payments. It is used to help you determine if you can afford more credit. The following information, steps, and form will help you understand and determine your credit percentage.

Steps

Step 1

List your monthly net income (take-home pay).

Example

\$1,400

Step 2

List your monthly credit payments, but do not include mortgage or rent.

Example

<i>Creditor</i>	<i>Monthly Payment</i>
<i>Visa</i>	<i>\$75</i>
<i>Dr. Jones</i>	<i>\$50</i>
<i>Ways to Work loan</i>	<i>\$138</i>

Step 3

Total your monthly credit payments.

Example

\$263 (\$75 plus \$50 plus \$138)

Step 4

Determine your credit percentage. Divide the total monthly credit payments by your monthly net income.

Example

19% (\$263 divided by \$1,400)

Your completed worksheet may look like this:

Monthly Net Income	\$1,400.00
Creditor	Monthly Payment
Visa	75.00
Dr. Jones	50.00
Ways to Work loan	138.00
Total Monthly Payments	\$ 263.00
Credit Percentage (CP) Total monthly payments divided by monthly net income	19%

Measuring Credit Percentage

If your credit percentage is 0% to 9%, you are doing well, however, be careful not to exceed your credit limits.

If your credit percentage is 11% to 19%, be very cautious about taking on new debt. Work on reducing current debt.

If your credit percentage is 20% or higher, stop using credit immediately! You need to reduce the amount of debt either by paying creditors in full or by continuing to make timely monthly payments.

Use the attached form to determine your credit percentage.

