## **DANGEROUS?**

Examine your credit obligations by filling in the chart below. (**DO NOT include your mortgage payments**.) The information can be found on your credit statement or contracts.

Credit Source	Amount Owed	Finance Charge (APR) <sup>1</sup>	Monthly Payment
<sup>1</sup> Annual percentage rate  Total monthly debt payments: \$(A)			
Calculate you DEBT Ratio using the following formula:			
Monthly Debt Payments (A)			
= Debt Ratio (%)  Monthly Take-Home Pay			

If your debt ratio is more than 20%, you are operating at a dangerous debt level.

10% or less Congratulations! You're w/in a safe limit You're in the high average group. Do what you can to get your debt closer to 10% 16-20%
You are fully extended and have more debt than most people w/your income. Start working to reduce your debt.

21-25% RED ALERT! You're overextended. It's time for some dramatic changes.

26% or more
You are on a disaster because
you have more debt than you can
handle. Get help immediately.

Adapted from: O'Neill, B. Dealing with Debt, 1995. Rutgers Cooperative Extension

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