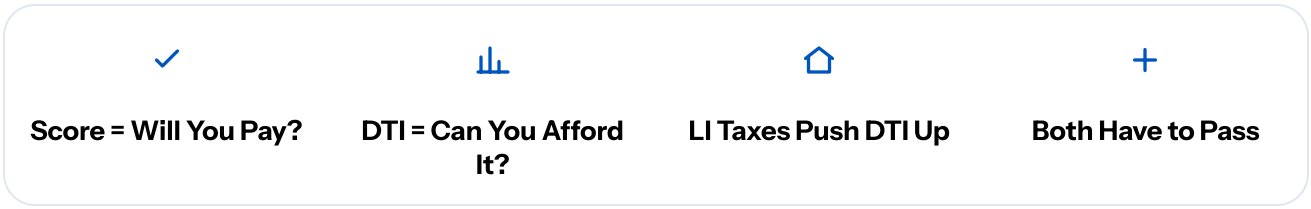
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MORTGAGE BASICS

A Great Credit Score Doesn't Cancel Out a High DTI: How Lenders Weigh Both

Coltrain Mortgage Team · November 12, 2026 · 8 min read

"My credit score is over 780. How can the numbers not work?" It's one of the most frustrating conversations a buyer can have, and we have it more often than you'd think on Long Island. The short answer: your credit score and your debt-to-income ratio are two separate tests. A great score passes the first one with flying colors, but it can't make up for failing the second. Let's break down what each number measures, how lenders look at them together, and which one is actually worth working on before you buy.



Why Buyers With Great Credit Still Hear "The Numbers Don't Work"

Most people think of a mortgage approval as one big grade, and the credit score feels like the headline number. So when a buyer with excellent credit is told they don't qualify for the price they had in mind, it feels like a mistake.

It usually isn't. A lender is asking two different questions, and your credit score only answers one of them. You can have a spotless record of paying every bill on time and still not have enough monthly income to carry the new house payment on top of what you already owe. That second question is your debt-to-income ratio, or DTI, and on Long Island it's very often the number that decides how much house you can buy.

Credit Score vs. DTI: Two Different Questions

"WILL YOU PAY?"

Your Credit Score

A snapshot of your history: whether you've paid on time, how much of your available credit you're using, how long you've had credit, and how much new credit you've opened lately. It tells a lender how you've handled debt in the past.

"CAN YOU AFFORD IT?"

Your Debt-to-Income Ratio

Your monthly debt payments, including the new house payment, divided by your gross monthly income (before taxes). It tells a lender whether your budget has room for this loan going forward.

Here's the key point: neither number can stand in for the other. A great score says you're a reliable borrower. It doesn't add a dollar to your income or take a dollar off your car payment. The Consumer Financial Protection Bureau puts it simply: DTI is all your monthly debt payments divided by your gross monthly income, and it's one way lenders measure your ability to manage the payments on the money you plan to borrow. If you want the full step-by-step math, our **DTI explainer** walks through a complete example, and our post on **the new credit scores** covers what's changing on the score side.

Front-End vs. Back-End DTI, in Plain Words

You'll hear lenders talk about two versions of DTI:

> Front-end DTI is just your new housing payment divided by your gross monthly income. The housing payment means the whole thing: principal and interest, property taxes, homeowners insurance, and any HOA or condo fees.
>
> Back-end DTI is that same housing payment *plus* all your other monthly debt payments, divided by your gross monthly income. This is the one most lenders care about most. Fannie Mae, for example, sets its limits on the total ratio.

What Counts as Monthly Debt (and What Doesn't)

This trips up a lot of people. Lenders count the payments that show up on your credit report or that you're legally required to make, not your everyday cost of living.

Usually counts

- Minimum payments on credit cards and store cards
- Car loans and car leases
- Student loans (even deferred ones usually get a payment assigned)
- Personal loans and other installment debts
- Court-ordered child support or alimony
- Payments on other properties you own
- The new housing payment, with taxes, insurance and any HOA

Usually doesn't count

- Utilities like electric, gas, water and internet
- Cell phone and streaming plans
- Groceries, gas and commuting costs
- Car, health or life insurance premiums that aren't tied to a loan
- Child care and other everyday expenses

> **Don't stop budgeting for those, though.** Just because a lender doesn't count your electric bill doesn't mean it goes away. We always want the payment to work for your real life, not just on paper.

A couple of details are worth knowing. Under Fannie Mae's guidelines, if a credit card doesn't show a minimum payment, the lender may have to assume one based on the balance. And installment debts with ten or fewer payments left can generally be left out, unless the payment is big enough to really affect your budget. Car leases count no matter how many payments remain.

How Lenders Weigh Your Score and Your DTI Together

Here's where the two numbers do connect: a strong credit score can give you *more room* on DTI, but only up to a ceiling. Underwriting looks at the whole file, including your score, your DTI, your down payment, and your savings left over after closing (lenders call those reserves). Strength in one area can help offset a little weakness in another. What a great score can't do is push you past a program's outer limit.

Below are general guidelines by loan type. Treat them as a starting point, not a promise. Every file is different, and individual lenders can be stricter.

Loan type	How DTI is judged	Where credit fits in
Conventional (Fannie Mae)	Automated approval (DU) allows a total DTI up to 50%. Manually underwritten loans start at 36% and can go up to 45%.	Going above 36% on a manual loan requires meeting minimum credit score and reserve requirements.

Loan type	How DTI is judged	Where credit fits in
Conventional (Freddie Mac)	Freddie Mac's automated system (LPA) decides whether the ratio is acceptable for the whole file. Manually underwritten loans use 36% as a guideline and can't go over 45%.	Above 36% on a manual loan, the lender has to document why the higher ratio makes sense.
FHA	Manually underwritten loans use front-end and back-end limits together, starting at 31% / 43% and going as high as 40% / 50% with compensating factors. Files approved through FHA's automated system can sometimes go higher.	With a score under 580 (or no score), a manual FHA loan is held to 31% / 43%, period.
VA	41% is the guideline. VA also uses residual income: the money left each month after taxes, the housing payment and other debts, compared with a minimum based on family size and region.	A DTI over 41% can still work. If residual income beats VA's guideline by at least 20%, the extra justification step isn't required.

Summaries of Fannie Mae, Freddie Mac, HUD/FHA and VA guidelines as of October 2026, simplified for education. Lenders may apply stricter requirements. Meeting a guideline is not an approval.

Notice the pattern. Credit score shows up as the thing that unlocks the higher DTI tiers, but every program still has a point where the ratio is simply too high. That's why the program matters. Our pages on **conventional loans**, **FHA loans** and **VA loans** go into more detail on each one. As a broker, we can also compare how different wholesale lenders handle the same file.

Check Your Own DTI

Plug in your own numbers. For the housing payment, use your best estimate of the full monthly payment: principal and interest plus property taxes, homeowners insurance and any HOA. If you don't have one yet, our **affordability calculator** can help you get a ballpark.

Front-End and Back-End DTI Calculator

CALCULATOR

Gross monthly income (before taxes), everyone on the loan

$ 10,000

Estimated monthly housing payment (principal and interest + taxes + insurance + HOA)

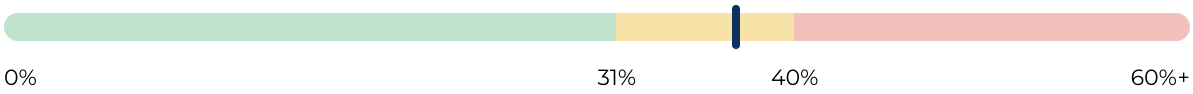
$ 3,700

Your other monthly debt payments

Car loan or lease	Student loans
$ 480	$ 220
Credit card minimum payments	Other (personal loans, child support, alimony)
$ 150	$ 0

FRONT-END DTI **37.0%**

Housing payment only



WORKABLE, BUT TIGHT

BACK-END DTI **45.5%**

Housing payment plus all other debts



STRETCH ZONE

Usually only possible through automated approval with a strong overall file.

Comfortable · Workable, but tight · Stretch zone · Likely too high

To bring your back-end DTI down to 45%, your total monthly payments would need to drop by about **$50**. Paying off your car payment ($480) alone would bring it to **40.7%**. Remember, these are general guidelines, not an approval.

General guidelines for education only, not a loan approval, pre-qualification or offer. Zones are simplified from published Fannie Mae, Freddie Mac, FHA and VA guidelines; the limit that applies to you depends on the loan program, your credit, down payment, reserves and the full underwriting review. Lenders calculate income and debts from your documents, which can differ from your estimates.

What Actually Moves Each Number

This is where we see people spend energy in the wrong place. If your credit is already strong and your DTI is the problem, chasing a few more score points usually won't change the answer. Here's what tends to help each one.

1. **Pay off the right balance, not just any balance**

   For DTI, what matters is the monthly payment. Paying a card to zero, or paying off a small loan entirely, removes its whole payment from the math. Spreading the same money across several balances can lower your score-side utilization but may barely move your DTI. If a car loan has only a handful of payments left, ask us first, since it may already be excluded.

2. **Pay down card balances for the score side**

   High card balances compared with your limits can weigh on your score. Bringing them down helps the score and lowers the minimum payment, so it's one of the few moves that helps both numbers at once.

3. **Don't close old cards**

   Closing a paid-off card doesn't lower your DTI (a $0 balance already has no payment), but it can shrink your available credit and shorten your history, which can nudge your score the wrong way.

4. **No new debt before closing**

   Hold off on the new car, the furniture on a store card, or any new account until after you close. A new payment goes straight into your DTI, and lenders typically re-check your credit before closing.

5. **Make sure all your income is counted**

   Overtime, bonus, commission or a co-borrower's income can raise the bottom of the ratio if it's documented and stable. If a parent might help, our guide to **non-occupant co-borrowers** shows how that works.

Not sure whether your score or your DTI is the real issue? We'll look at both and tell you straight.

Why DTI Is Often the Tighter Limit on Long Island

Long Island property taxes are among the highest in the country, and they go right into your monthly housing payment. That means two homes at the same price, with the same loan amount, can produce very different DTIs depending on the tax bill. Here's a simple illustration with round numbers. Picture two homes at the same price, financed the same way, for a household earning $10,000 a month before taxes. The only difference is the tax bill:

HOME A	
Property taxes per month	$800
Share of $10,000 income	8 points
+8% DTI from taxes	

HOME B, SAME PRICE, HIGHER TAXES	
Property taxes per month	$1,300
Share of $10,000 income	13 points
+13% DTI from taxes	

Hypothetical round numbers for illustration only, not an estimate for any property or a loan offer.

Same buyer, same credit score, same price, and Home B costs five extra points of DTI before a single car payment is added. That's why we look up the actual tax bill on a house early, and why the town and school district can matter as much as the list price. If you've already bought and the assessment looks high, our guide to **grieving your property taxes** explains how that works. Buying for the first time? Our **Long Island first-time homebuyer guide** is a good next stop.

The Bottom Line

A great credit score is worth protecting. It opens doors and can give you more flexibility. But it's only half of the picture. If your DTI is too high for the program and price you're aiming for, the fix is usually on the payment side: the right debt paid off, the right program, or the right price range. The good news is that a DTI problem often has a clear, fixable answer once you know it's the thing holding you back.

That's exactly what we help sort out. One of our loan officers can look at your score, your debts and your income together, tell you which one is actually the limit, and show you what it would take to get pre-qualified for the home you want. Our **loan process page** shows what to expect from there.

COMMON QUESTIONS

Can a high credit score make up for a high DTI?

Only up to a point. A strong score, along with reserves and a solid down payment, can help you qualify at a higher DTI within a program's guidelines. For example, Fannie Mae lets a manually underwritten loan go from 36% up to 45% if credit score and reserve requirements are met. But every program has an outer limit, and a great score can't push you past it.

What is a good DTI for a mortgage?

Lower is always more comfortable. As a general guideline, a back-end DTI at or under 36% leaves the most room, the high 30s to mid 40s is common for approvals, and some automated approvals can go to 50%. The right number for you depends on the loan program and your full file.

What's the difference between front-end and back-end DTI?

Front-end DTI is your housing payment (principal, interest, taxes, insurance and HOA) divided by your gross monthly income. Back-end DTI adds all your other monthly debt payments, like car loans, student loans and card minimums. Most lenders focus on back-end DTI; FHA's manual underwriting looks at both.

Do utilities and phone bills count in my DTI?

Generally no. DTI counts debt payments and legal obligations, like loans, card minimums, child support and alimony, plus the new housing payment. Utilities, phone plans, groceries and insurance premiums that aren't tied to a loan usually aren't included.

Should I pay off a credit card or a car loan to lower my DTI?

It depends on which one eliminates the bigger monthly payment for the money you have. For DTI, getting rid of a whole payment usually helps more than spreading money across several balances. Talk to a loan officer before you pay anything off, since some debts, like installment loans with ten or fewer payments left, may already be excluded.

How does VA residual income work?

VA looks at how much money you have left each month after taxes, your housing payment and other debts, and compares it with a minimum based on your family size and region. VA uses 41% DTI as a guideline, and if your DTI is above that but your residual income beats the guideline by at least 20%, the extra justification step isn't required.

Guideline summaries are based on published Fannie Mae, Freddie Mac, HUD/FHA and VA requirements as of October 2026 and are subject to change. Individual lenders may apply additional requirements. All loans are subject to credit approval, underwriting and property eligibility. This article and calculator are for educational purposes only and are not a pre-qualification, a loan approval or a commitment to lend. Coltrain Mortgage is a mortgage broker; all loans are arranged through third-party lenders. Equal Housing Opportunity.

SOURCES

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Fannie Mae Selling Guide, **B3-6-05, Monthly Debt Obligations**

Freddie Mac Seller/Servicer Guide, **Section 5401.2, Monthly debt payment-to-income ratio**

HUD, **FHA Single Family Housing Policy Handbook 4000.1** (manual underwriting qualifying ratios)

U.S. Department of Veterans Affairs, **VA Lenders Handbook (Pamphlet 26-7), Chapter 4: Credit Underwriting**, and **38 CFR 36.4340** (DTI and residual income standards)

Consumer Financial Protection Bureau, **What is a debt-to-income ratio?**

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READY WHEN YOU ARE

Which number is actually holding you back?

We'll look at your credit, your debts and your income together, show you where you stand, and map out the simplest path to the home you want. No pressure, no obligation.

Ready to talk it through?
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