Fannie Mae Selling Guide B3-6-02 — Debt-to-Income Ratios

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B3-6-02, Debt-to-Income Ratios (04/02/2025) Introduction This topic contains information on the use of the debt-to-income (DTI) ratio, including: DTI Ratios Maximum DTI Ratios Exceptions to the Maximum DTI Ratio Calculating Total Monthly Obligation DTI Ratio Tolerance and Re-Underwriting Criteria Applying the Re-underwriting Criteria DTI Ratios The DTI ratio consists of two components: total monthly obligations, which includes the qualifying payment for the subject mortgage loan and other long-term and significant short-term monthly debts (see Calculating Total Monthly Obligation below); and total monthly income of all borrowers, to the extent the income is used to qualify for the mortgage (see Chapter B3–3, Income Assessment). Published May 6, 2026 497 Maximum DTI Ratios For manually underwritten loans, Fannie Mae’s maximum total DTI ratio is 36% of the borrower’s stable monthly income. The maximum can be exceeded up to 45% if the borrower meets the credit score and reserve requirements reflected in the Eligibility Matrix. For loan casefiles underwritten through DU, the maximum allowable DTI ratio is 50%. See B3-1-01, Comprehensive Risk Assessment for information about the DTI. Exceptions to the Maximum DTI Ratio Fannie Mae makes exceptions to the maximum allowable DTI ratios for particular mortgage transactions, including: cash-out refinance transactions — the maximum ratio may be lower for loan casefiles underwritten through DU (see B2-1.3-03, Cash-Out Refinance Transactions); high LTV refinance transactions - except for loans underwritten under the Alternative Qualification Path, there are no maximum DTI ratio requirements (see B5-7-01, High LTV Refinance Loan and Borrower Eligibility); borrowers who do not have a credit score — the maximum ratio may be lower for manually underwritten loans (see B3-5.4-01, Eligibility Requirements for Loans with Nontraditional Credit); non-occupant borrowers — the maximum ratio is lower than 45% for the occupying borrower for manually underwritten loans (see B2-2-04, Guarantors, Co-Signers, or Non-Occupant Borrowers on the Subject Transaction); and government mortgage loans — lenders must follow the requirements for the respective government agency. Calculating Total Monthly Obligation The total monthly obligation is the sum of the following: the housing payment for each borrower’s principal residence if the subject loan is the borrower’s principal residence, use the PITIA and qualifying payment amount (see B3-6-03, Monthly Housing Expense for the Subject Property); if there is a non-occupant borrower, use the mortgage payment (including HOA fees and subordinate lien payments) or rental payments (see B3-6-05, Monthly Debt Obligations); if the subject loan is a second home or investment property, use the mortgage payment (including HOA fees and subordinate lien payments) or rental payments (see B3-6-05, Monthly Debt Obligations; the qualifying payment amount if the subject loan is for a second home or investment property (see B3-6-04, Qualifying Payment Requirements); monthly payments on installment debts and other mortgage debts that extend beyond ten months; monthly payments on installment debts and other mortgage debts that extend ten months or less if the payments significantly affect the borrower’s ability to meet credit obligations; monthly payments on installment debts secured by virtual currency; Published May 6, 2026 498 monthly payments on revolving debts; monthly payments on lease agreements, regardless of the expiration date of the lease; monthly alimony, child support, or maintenance payments that extend beyond ten months (alimony (but not child support or maintenance) may instead be deducted from income, (see B3-6-05, Monthly Debt Obligations); monthly payments for other recurring monthly obligations; and any net loss from a rental property. Note: Fannie Mae acknowledges that lenders may sometimes apply a more conservative approach when qualifying borrowers. This is acceptable as long as Fannie Mae’s minimum requirements are met, and lenders consistently apply the same approach to similar loans. For example, a lender might calculate a higher minimum payment on a credit card account than what Fannie Mae requires, which is acceptable as long as the lender consistently applies this calculation to all mortgage applications with revolving debts. DTI Ratio Tolerance and Re-Underwriting Criteria Fannie Mae expects lenders to have in place processes to facilitate borrower disclosure of changes in financial circumstances throughout the origination process and prefunding quality control processes to increase the likelihood of discovering material undisclosed debts or reduced income. See D1-2-01, Lender Prefunding Quality Control Review Process. As a result of the lender's normal processes and controls, the lender may need to re-underwrite the loan after initial underwriting. If the borrower discloses or the lender discovers additional debt(s) or reduced income after the underwriting decision was made up to and concurrent with loan closing, the loan must be re-underwritten if the new information causes the DTI ratio to increase by more than the allowed tolerances. In all cases, if the lender determines that there is new subordinate financing on the subject property during the loan process, the mortgage loan must be re-underwritten. Note: Re-underwriting means that loan casefiles must be resubmitted to DU with updated information; and for manually underwritten loans, a comprehensive risk and eligibility assessment must be performed. Applying the Re-underwriting Criteria The following steps are required if the borrower discloses or the lender discovers additional debt(s) or reduced income after the underwriting decision was made up to and concurrent with loan closing: Published May 6, 2026 499 Step Description 1 The lender must document the additional debt(s) and reduced income in accordance with B3-6-01, General Information on Liabilities or B3-3, Income Assessment, as applicable. Note: The lender is not required to obtain a new credit report to verify the additional debt(s). However, if the lender chooses to obtain a new credit report after the initial underwriting decision was made, the loan must be re-underwritten. 2 If there is new subordinate debt on the subject property, the mortgage loan must be re- underwritten. 3 The lender must recalculate the DTI ratio. For DU loan casefiles, the DTI ratio should be recalculated outside of DU. 4 • If the recalculated DTI ratio exceeds 45% for a manually underwritten loan or 50% for a DU loan casefile, the loan is not eligible for delivery to Fannie Mae. • Manually underwritten loans: If the recalculated DTI does not exceed 45%, the mortgage loan must be re-underwritten with the updated information to determine if the loan is still eligible for delivery. Note: If the increase in the DTI ratio moves the DTI ratio above the 36% threshold, the loan must meet the credit score and reserve requirements in the Eligibility Matrix that apply to DTI ratios greater than 36% up to 45%. • DU loan casefiles: See B3-2-10, Accuracy of DU Data, DU Tolerances, and Errors in the Credit Report for the tolerances and resubmission requirements associated with changes impacting the DTI. • High LTV refinance loans: For loans underwritten in accordance with the Alternative Qualification Path, if the recalculated DTI ratio exceeds 45%, the loan is not eligible for delivery to Fannie Mae. If the DTI does not exceed 45%, but is increasing by 3 or more percentage points, the loan must be re-underwritten with the updated information to determine if the loan is still eligible for delivery. 5 The final loan application signed by the borrower must include all income and debts verified, disclosed, or identified during the mortgage process. 6 Upon delivery to Fannie Mae, the lender must deliver the qualifying monthly income and expense amounts that are on the final loan application. See C1-2-02, Loan Data and Documentation Delivery Requirements. Recent Related Announcements The table below provides references to recently issued Announcements that are related to this topic. Published May 6, 2026 500 Announcements Issue Date Announcement SEL-2025-02 April 02, 2025 Announcement SEL-2022-04 May 04, 2022 Announcement SEL-2020-01 February 05, 2020 Announcement SEL-2019-07 August 07, 2019 Announcement SEL-2019-04 May 01, 2019

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