# Tips for lowering your debt servicing ratios

Two basic ways to improve your debt servicing ratios are to increase your income or reduce your debt. Increasing your income is not always possible, although it could include a raise at work, finding a new job with better pay, or taking a second job. If you find yourself with a little extra cash—maybe you received a year-end bonus—consider using this extra money to pay down your debt faster.

Paying down your debt and not adding to it is the best way to improve your debt servicing ratio. Here are a few ideas to get you started:

1. Avoid making new purchases, especially if you need to use your credit card to make the purchase.
2. Create a budget and see where you can cut expenses. Apply those savings to your debt.
3. Call your credit card company and try renegotiating a lower interest rate. With a lower rate, more of your payment will be applied to what you owe.
4. If you have money sitting in an account that is not earning much interest, consider applying it toward your debt, which tends to have a higher interest rate.
5. Explore options to refinance equity from your home to pay off debt (work with your mortgage broker to form a plan).

## Debt servicing ratios and your credit score

Your debt servicing ratios do not directly affect your credit score, but carrying a large amount of debt can negatively affect both. And lenders will look at both when assessing your mortgage application. The good news is that reducing your debt improves your credit score and debt servicing ratios. Work with your mortgage broker to plan how you will pay down debt and improve your ratios.

Learn more about calculating debt servicing ratios with this article and setting your clients up for success!