



As you can see, Encik Daud's debt-to-income ratio is higher than the recommended amount. In this scenario, it is best that he strives to bring down the ratio.

So how do you bring down your debt-to-income ratio?

You can either increase your income and/or lower your loan commitments.

It is important not to over commit on loans and purchases using credit cards as this would have an impact on your ratio and in turn, may affect your creditworthiness.

BEING A GUARANTOR

When an individual's creditworthiness is doubtful, lenders would normally request for a loan guarantor.

A guarantor is not the principal borrower. However, a guarantor is still responsible for the unpaid portion of the loan, including interest, if the principal borrower defaults.

The guarantee for the borrower's obligation will last until the full settlement of the loan.

A guarantor cannot be discharged without the full settlement of the loan or prior to obtaining the lender's consent.

