



Don't Let Student Loans Keep You Away from Homeownership

Having student loan debt does not automatically preclude you from qualifying for a home loan. There's a range of home loan programs that vary in requirements. Depending on your goals, you more than likely qualify for at least one of the home purchase products even if you have a student loan. Some, more accessible than you think!

As with any financing, your Debt-to-Income (DTI) Ratio is a significant factor in qualifying for a loan. Certain home loan programs weigh student loan debt differently when calculating your DTI. Your Loan Officer can review the best options for your situation.

What is DTI?

A debt income ratio (often abbreviated DTI) is the percentage of a consumer's monthly gross income that goes toward paying debts. (DTIs often cover more than just debts; they can include principal, taxes, fees, and insurance premiums as well.)

The two main kinds of DTI are expressed as a pair using the notation x/y (for example, 28/36).

- The first DTI, known as the front-end ratio, indicates the percentage of income that goes toward housing costs, which for renters is the rent amount and for homeowners is PITI (mortgage principal and interest, mortgage insurance premium [when applicable], hazard insurance premium, property taxes, and homeowners' association dues [when applicable]).
- The second DTI, known as the back-end ratio, indicates the percentage of income that goes toward paying all recurring debt payments, including those covered by the first DTI, and other debts such as credit card payments, car loan payments, student loan payments, child support payments, alimony payments, and legal judgments.

Will I be able to qualify?

If you have a credit score of 640 or higher; plus your income, employment and assets (e.g. Checking, Savings, etc.) can be verified with documentation—then typically you're in a good position to qualify for a home loan – however, there are programs available where lower credit scores are acceptable.

There are a range of home loan programs with varying minimum qualifications and features such as low to zero minimum down payment, such as:

- VA Loans
- Rural Development/USDA Loan
- HomeReady
- Home Possible
- Home Possible Advantage

We can review the best options for your situation and also let you know if there are any homebuyer assistance programs featuring non-repayable grants, available in your area that you qualify for.