

Buying a Home With Student Debt

What Millennials and Gen Z Should Know About Mortgage Approval

Student loans have become a fact of life for many young adults — but they don't have to be a roadblock to homeownership. With the right preparation, buyers with student debt can still qualify for a mortgage and achieve their goal of owning a home.

UNDERSTAND YOUR DEBT-TO-INCOME RATIO

One of the most important factors lenders consider is your debt-to-income ratio, or DTI. This number reflects how much of your income is already committed to monthly debt payments, including student loans, car payments and credit cards.

In general, most lenders prefer a DTI of 43% or less, though some programs allow higher ratios. If your student loan payments push you over that threshold, consider options for reducing the impact—such as refinancing or enrolling in an income-driven repayment plan.

Also keep in mind that some lenders calculate your monthly student loan payment based on a percentage of the loan balance, even if your current payment is lower. This

can increase your reported DTI and affect your buying power.

BUILD A STRONGER FINANCIAL PROFILE

Even with student loans, a strong financial profile can boost your chances of approval. Focus on improving your credit score by paying bills on time, lowering credit card bal-

ances and avoiding new debt before applying for a mortgage.

Saving for a down payment is another key step. While putting down 20% can help you avoid private mortgage insurance (PMI), many first-time buyers qualify with as little as 3% down through programs like FHA, VA or conventional loans designed for new buy-

ers.

Lenders also consider your employment history and income stability. A steady job and consistent earnings show you're capable of managing a mortgage, even with existing debt.

Consider getting pre-approved before house hunting. A pre-approval letter shows sellers you're serious and gives

you a clear idea of your budget, helping you shop confidently.

Homeownership is possible even with student loan debt. By understanding how lenders view your finances and taking steps to strengthen your application, you can move forward with confidence — and take a major step toward building long-term wealth.



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REAL ESTATE 101



HOMESWISE GLOSSARY

Student Loans Don’t Disqualify You

Having student debt doesn’t automatically prevent you from buying a home. Lenders look at your overall financial picture, including credit score, income and how well you manage monthly payments.

Debt-to-Income Ratio (DTI): A debt-to-income ratio compares your monthly debt payments to your gross monthly income. Lenders use this ratio to assess your ability to manage additional debt, such as a mortgage. Lower DTI ratios typically improve your chances of loan approval.

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