

BUYING A HOME

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A Home Buyer's Story: Student Loan Debt

By Kristin Offiler

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Once we found the right house, we thought being under contract and closing on the purchase would be a piece of cake. However, our closing date got pushed back twice—once because the seller hadn't finished some repairs on the property, and the second time because a glitch involving my student loans had to be corrected.

Matt and I both had [student loan debt](#) when we were closing on our house. But I was still in graduate school, so my loans were not yet "in repayment" – meaning I wasn't having to make payments on them yet. Our loan officer told us that if we I wasn't required to begin paying for those loans back for at least a year after our closing date, then they wouldn't be considered towards our [debt-to-income ratio](#). That's important because if your debt-to-income ratio is too high – in other words, you have too much debt for someone with your income – then you can be turned down for a loan.

This was great news to us—we would close on the house in late July, I'd graduate in February, and since there is a 6-month grace period before loans come due after graduation, my payments wouldn't begin until the following September. We narrowly squeezed by that one-year mark, but it was enough to not have the loans counted towards our debt.

The Student Loan Glitch

Then a couple of weeks before our second closing date, the underwriter said my record reflected that I was graduating in October, thus making the loans due in April — rather than the following September. It made no sense and was obviously an error somewhere, but it wasn't something easy to rectify.

I had to first obtain a letter from my university's records office confirming that my projected graduation month was February. Then I had to spend a couple of afternoons with our loan officer on conference calls with Sallie Mae and the Department of Education. That was no easy task—we were transferred many times, had to fax and refax my letter, wait for it to be received and processed by the right department and the right people all before they would make the correction to my records. It turned into a waiting game—and we really didn't have the time for it.

Until the correction was made, the mortgage underwriter was going to require us to pay off the rest of Matt's car loan before our house loan would be approved. No matter how many times our loan officer tried explaining the situation to the underwriter, she still insisted it wasn't official until she had confirmation from Sallie Mae and the Department of Ed saying I would begin repaying my loans in September, not April.

We were weeks away from our wedding and some silly error was suddenly putting a screeching halt on our home buying plans!

The Resolution

We had no choice but to push our closing date to August 4, 2010—three days before our wedding. In the end, the student loan error was resolved, and the underwriter got her confirmation. We didn't have to pay off the car loan, and most importantly, my student loans weren't counted towards our debt.

Matt's student loans, however, did count. He was in the process of paying them off, and it was actually beneficial for us that his history of repayment was good.

If you are currently looking for a house and you have student loans, it may not be better to pay them off before getting a house. However, if you're planning for the future and you know you want to own a house in a certain number of years, paying down your student loans can be a good idea. Consulting with a loan officer about your financial situation and your debt-to-income ratio will likely clear up confusion and help you figure out how to fit in a mortgage with student loan debt.

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Kristin Offiler is a freelance writer who recently completed a Master of Fine Arts in Creative Writing. She lives happily in her new home in the Northeast with her husband and dog. Views expressed by guest bloggers do not necessarily reflect that of LendingTree/Tree.com.

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