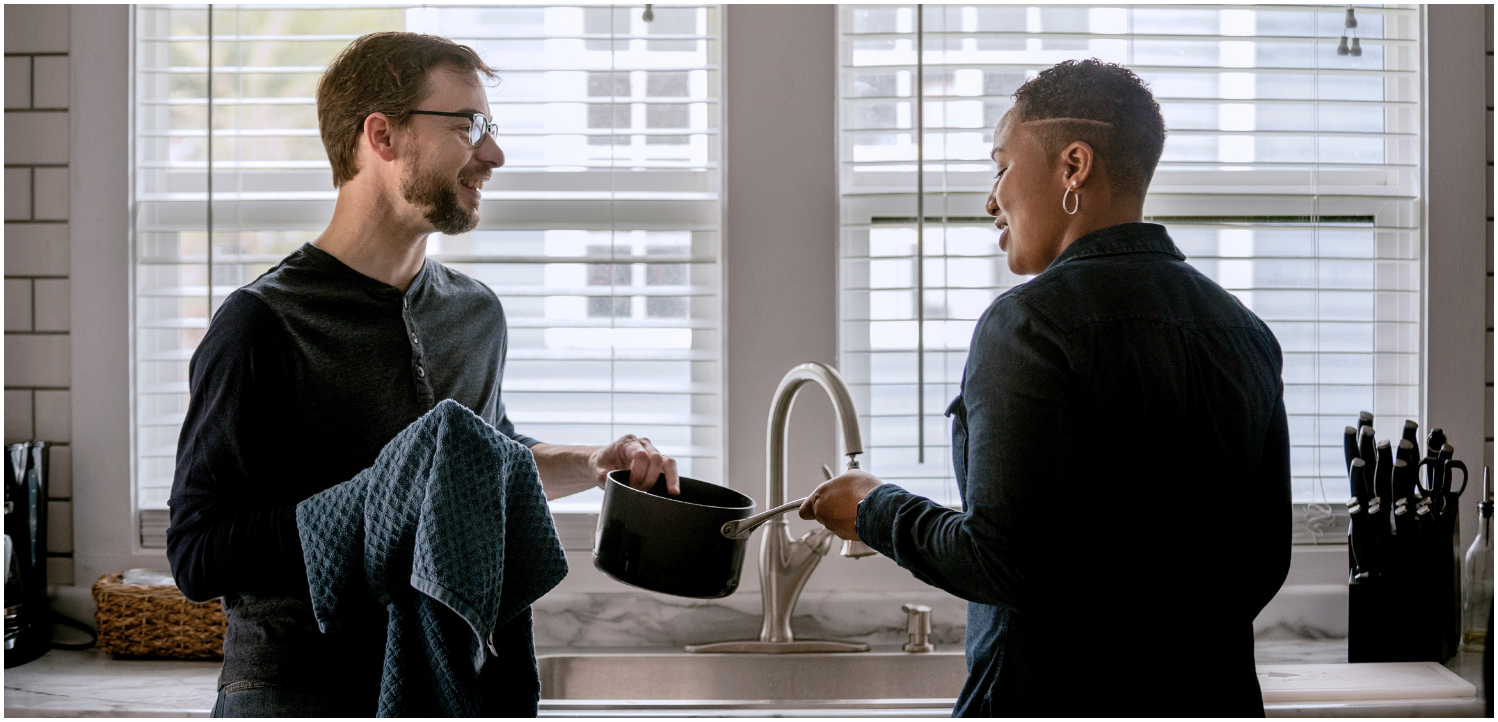

THE IMPACT OF STUDENT LOAN DEBT ON LONG-TERM HOMEOWNERSHIP

Homeownership is possible with student loan debt. Before you apply for a home loan, learn more about how student loan debt affects your ability to buy a home and how student loan debt may impact successful homeownership.

INSIDE YOU WILL LEARN:

- What mortgage lenders consider when qualifying you for a home loan
- Two ways mortgage lenders factor student loan payments
- How mortgage lenders consider parents who co-sign student loans

UNDERSTANDING YOUR STUDENT LOAN DEBT

Before you apply for a home loan, INHP encourages you to understand how a mortgage lender might determine your monthly student loan payment obligation and how that calculation may impact your long-term homeownership success.

WHAT MORTGAGE LENDERS CONSIDER WHEN QUALIFYING YOU FOR A HOME LOAN

- A mortgage lender considers your debt obligations when qualifying you for a home loan.
- A mortgage lender may treat student loans as risk factors affecting your ability to qualify for a loan.
- A mortgage lender may approve you for more than or less than you can afford, depending on how they calculate your student loan debt obligation.

TWO OF THE MOST COMMON WAYS MORTGAGE LENDERS CALCULATE MONTHLY STUDENT LOAN PAYMENTS

	OPTION 1: INCOME BASED REPAYMENT	OPTION 2: THE 1% RULE
HOW IS REPAYMENT CALCULATED?	Based on your income and family size, your student loan servicer may offer you an Income Based Repayment (IBR) amount that could be calculated to as little as $0 per month or to as much as 15% of your income. Some mortgage lenders will use your IBR payment as your monthly student loan payment even though it doesn't fully amortize and could change each year.	This calculation method is used when student loans are in deferment or forbearance, or your repayment plan is not fully amortized. The 1% Rule projects your monthly student loan payment to be equal to 1% of the total balance for all of your student loans.
IS THIS CALCULATION FIXED OR DOES IT CHANGE?	IBR is calculated each year and must be renewed annually. If your life changes, such as an increase in income, your monthly payment can change, too.	A mortgage lender calculates a fixed payment equal to 1% of your student loan balance. If your student loan balance equals $30,000 then your payment is calculated at $300/month.
WILL THIS CALCULATION PAY OFF MY LOANS OVER TIME?	Your potentially changing payments may not cover the principle and interest on the loan and may not fully pay down the loan over its term.	In general, 1% is the approximate amount necessary to pay down your loan fully over its term, usually 10 to 15 years.
HOW DOES THIS CALCULATION AFFECT MY HOMEOWNERSHIP POTENTIAL?	If a mortgage lender uses your IBR amount when calculating your monthly debt, you may appear to have less monthly debt than you actually have. A lender may qualify you for more of a home loan amount than you can comfortably afford if/when your IBR amount increases.	You may appear to have more monthly debt than you actually have, so a lender may qualify you for less of a home loan amount than you can comfortably afford.

UNDERSTANDING WHAT YOU QUALIFY FOR AND WHAT YOU CAN COMFORTABLY AFFORD

Depending on your student loan repayment arrangements, you may qualify for a loan amount that is more than or less than you can comfortably afford.

Your mortgage lender may qualify you for a loan to buy a home at a higher price point...

...when you can't comfortably afford the mortgage payments.

OR

Your mortgage lender may qualify you for a smaller loan amount...

...when you can comfortably afford to buy a home at a higher price point.

HOW TO MAKE THE BEST HOMEOWNERSHIP DECISION

Before you begin the homebuying process, INHP recommends you reach out to your mortgage lender and your student loan servicer and find answers to the following questions:

1

HOW IS YOUR STUDENT LOAN PAYMENT CALCULATED?

Understand the type of student loan you have, and determine if your student loan is in a deferment, IBR, fully amortizing or forbearance repayment status.

2

HOW DO CHANGES IN YOUR INCOME AFFECT YOUR STUDENT LOAN PAYMENT?

Understand the terms of your student loans, and determine if changes in your income affect the amount of your student loan payment.

3

HOW DO CHANGES TO YOUR STUDENT LOAN PAYMENT AFFECT YOUR ABILITY TO AFFORD A HOME?

Understand your budget and what you can comfortably afford, and determine how your student loan payment factors in to your budget.

READY TO DISCUSS YOUR HOMEOWNERSHIP GOALS?
TALK WITH THE TRUSTED EXPERTS AT INHP ABOUT YOUR SITUATION.

UNDERSTANDING HOW CO-SIGNING ON YOUR CHILD'S STUDENT LOAN AFFECTS YOUR ABILITY TO BUY A HOME

When you co-sign a student loan with your child, it may impact your ability to qualify for a home loan. A mortgage lender may consider the monthly student loan commitment as part of your monthly debt obligations, even if your child has a consistent repayment history.

HOW MORTGAGE LENDERS CONSIDER PARENTS WHO CO-SIGN STUDENT LOANS

- A mortgage lender considers a co-signed student loan as a monthly payment obligation that may affect your ability to qualify for a loan.
- You may qualify for a lower home loan amount due to co-signed student loan debt obligations.
- Even with perfect repayment history, a mortgage lender may decline your home loan application due to co-signed debt.

CONSIDER ALL OF YOUR OPTIONS WHEN DECIDING HOW TO PAY FOR COLLEGE

There are many options available for your child to finance a college education. Before co-signing a student loan for your child, INHP recommends you explore these options:

1

LOAN ALTERNATIVES

Encourage your child to consider grants or scholarships.

2

FEDERAL STUDENT LOANS

Consider federal student loans before private student loans.

3

PARENT PLUS LOANS

Learn about the impact of a Parent Plus Loan at studentaid.gov.

READ BEFORE YOU SIGN

Before you sign any loan documents, read them thoroughly. Many have different repayment terms, and some agreements require you to periodically re-certify to remain eligible. Without re-certification, the terms of the loan agreement may change. Visit **studentaid.gov** for more information.

INHP®

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