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Student Loans and Mortgages

When I saw an opportunity about publishing something to a newsletter for the neighborhood, it couldn't have been a better time to express my concerns when I run across an application with student loans vs getting approved for a mortgage. With underwriting guidelines, rules and regulation are so broad that no one doesn't know it all, but I hope I can give the cliff notes from my experience.

We know college is a time for most people to find a field they are passion about and hoping to land the job of their dreams and get paid big bucks. You get hit with room and board, tuition per semester, books and lab fees and the list can go on. Then you have to think living expense other than being on parent's payroll. Most students get jobs part time to support themselves to help with cost. Scholarships are great if you are fortunate enough to get one. But the big question is what happens when you get that diploma and walk off the stage?

You get a bill from Sallie Mae or Navient. I call this the sticker shock. What I'm finding is that you graduate and most entry level jobs starting you out at \$30K a year with a debt over \$50K in student loans. What hurts is that you have option to get extra money to pay for that apartment, living expense, eating out or even leasing a car note. Only not to realize that this does not go away. I've even seen someone making less than \$30K and have over \$90K in student loans. So, what are your options they give you after that? The first thing is you need to look at what kind of student loan you have and what are the repayment terms. Often you can have it deferred or maybe do an income base repayment plan.

Here is the blind side that the financial aid office doesn't tell you. One day your career will be taking off and you decided to purchase a home. Well, when a lender pulls credit for a mortgage, the student loan debt is factor into your debt to income ratio. Lender will typically look at your plan to determine how to factor in that debt with the rest that's showing up on your credit report. The income base repayment plan and the deferred plan will be your worst enemy, because what we have to do is take 1% of the debit to add to your monthly payment. So, if you owe \$50,000 at 1% that's \$500 we have to add to your debt which in some cases can disqualify you for a mortgage if it puts your DTI over the limit or lower house purchase amount.

But you do have an alternative. The best thing to do is to amortized your student loan in to a 20-year repayment plan. It always tends to be a lot lower than the \$500 mention. Another option is, just don't rack up the student loan debt for living expense. Use only for tuition and maybe find a part time job to cover other expense. If your career or passion salary is not going to be more than what you owe, maybe cash flow the education and pay as you go to avoid the debt that will build up when you are done.

If you have any question about your mortgage or maybe want to see what you can qualify for, I'll be happy to guide and advise you on your options.

