



STEP-BY-STEP GUIDE 7 OF 7

Common Home Buying Hurdles and How to Get Past Them

The problems that stop most buyers, including low credit, high debt, little savings, student loans, self-employment income, low appraisals and losing bidding wars, and what to do about each.

580

FHA credit score for 3.5% down

43%

common debt-to-income guideline

2 years

of self-employment history, usually

SUMMARY

Key takeaways

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Paying card balances down and fixing report errors is often the fastest way to raise a credit score.
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- 02

Paying off a small debt can bring your debt-to-income ratio under a lender's limit.
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- 03

Low down payment loans, assistance programs, seller credits and gifts can close a savings gap.
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Keep your appraisal contingency and avoid new credit or job changes until after closing.

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Most buyers who get stuck run into one of a handful of problems. Each hurdle below comes with the steps that usually get you past it. If you have more than one, a free session with a [HUD-approved housing counselor](#) can help you build a plan.

HURDLE 01

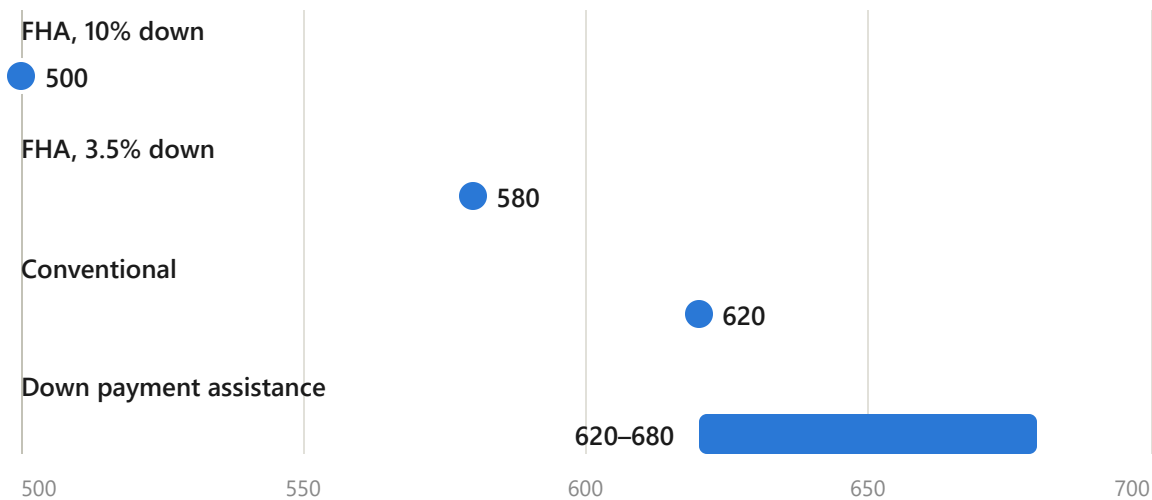
Your credit score is too low

What lenders want. FHA allows 580 with 3.5% down and 500 to 579 with 10% down, though many lenders set their own floor at 600 or higher. Most conventional loans start at 620. Many down payment assistance programs require 620 to 680.

FIGURE 1

Credit score minimums by loan type

Program floors. Many lenders set higher minimums of their own.



Source: HouseBuyerGuides.com calculations. FHA floors are HUD's: 500 with 10% down, 580 with 3.5% down. Conventional loans usually start around 620. Down payment assistance minimums vary by program, commonly 620 to 680.

How to fix it:

1. Pull all three reports at [AnnualCreditReport.com](#) and dispute errors with each bureau.

- 2. Pay credit card balances below about 30% of each limit, and lower is better. This is often the fastest way to raise a score.
- 3. Pay every bill on time from now on. Recent late payments hurt the most.
- 4. Don't close old cards or open new accounts while you are getting ready.
- 5. Ask a lender to run a "what-if" simulation that shows which payoff gives you the most points.

Many buyers can raise their score enough within a few months.

HURDLE 02

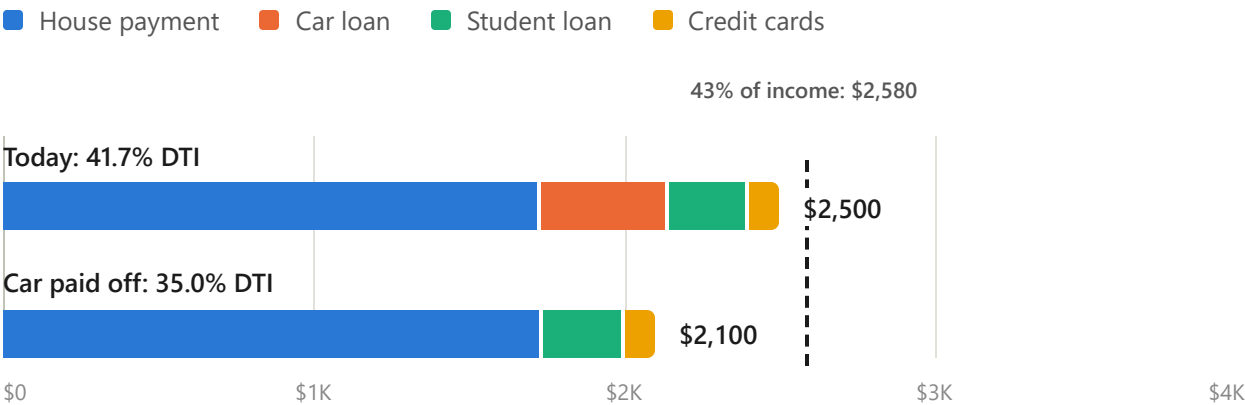
Your debt-to-income ratio is too high

Your debt-to-income ratio (DTI) is your monthly debt payments, including the new mortgage, divided by your gross monthly income. Many lenders look for about 43% or less. Some loans go higher with strong credit or savings.

FIGURE 2

Debt-to-income ratio: before and after paying off a car

Monthly debts for a buyer earning \$6,000 a month, including a \$1,750 house payment.



Source: HouseBuyerGuides.com calculations. Example only. Many lenders look for total debts at or below about 43% of gross monthly income; some loans allow more with strong credit or savings.

How to fix it:

- Pay off small debts entirely. A loan with only a few payments left may be excluded from DTI, so ask your lender.
 - Look at a lower price range, or a home with lower taxes or HOA dues.
 - Add a co-borrower whose income counts toward the loan.
 - Use down payment assistance or a bigger down payment to lower the loan amount.
 - Count every source of income you can document, such as overtime, bonuses or part-time work, usually with a two-year history.
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HURDLE 03

You don't have enough saved

How to fix it:

- **Use a low down payment loan.** VA and USDA require 0% down, conventional needs 3% for qualifying buyers, and FHA needs 3.5%. See [types of home loans](#).
 - **Apply for down payment assistance.** Grants, forgivable loans and deferred loans can cover much of the upfront cost. Search your city or state here, or read the [down payment assistance guide](#).
 - **Ask for a seller credit** toward closing costs. See the [closing costs guide](#).
 - **Accept gift money** from family. Most loans allow it with a signed gift letter and a paper trail of the transfer.
 - **Check your employer** for housing benefits.
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HURDLE 04

Student loans

Student loans count toward your DTI even if they are deferred. Each loan type has its own rule for what payment the lender counts. Depending on the loan type, that can be your actual payment on an income-driven plan or a percentage of the balance when the payment shows as \$0.

How to fix it:

- Get on an income-driven repayment plan and make sure the payment shows on your credit report or in your servicer documents.

- Ask lenders how each loan type would count your student loans. The answer can change which loan you choose.
- Look for programs aimed at buyers with student debt. A few states offer them.

HURDLE 05

Self-employed or irregular income

Lenders usually want two years of self-employment or gig history, and they qualify you on the income shown on your tax returns. Large write-offs lower that income.

How to fix it:

- Talk to a lender **before** you file your next return, and weigh the tax savings against your buying power.
- Keep business and personal accounts separate and clean.
- Have a year-to-date profit and loss statement ready.
- If your returns understate your income, ask about bank-statement loans. Expect higher rates and bigger down payments.

HURDLE 06

The appraisal comes in low

If the appraisal comes in below the contract price, the lender lends based on the lower value, and someone has to cover the gap.

What you can do:

1. Ask the seller to lower the price to the appraised value.
2. Split the difference with the seller.
3. Pay the gap in cash, if you have it and still believe in the price.
4. Ask the lender for a reconsideration of value with better comparable sales your agent finds.
5. Walk away and keep your earnest money, if your contract has an appraisal contingency and you act before its deadline.

To protect yourself, keep the appraisal contingency in your offer, or decide in advance how much of a gap you could cover.

HURDLE 07

You keep losing out to other offers

How to fix it:

- Get fully pre-approved, or underwritten if your lender offers it, rather than pre-qualified.
 - Offer a larger earnest money deposit.
 - Be flexible on the closing date or let the seller stay a short time after closing.
 - Shorten contingency periods instead of waiving them.
 - Look at homes that have been on the market longer, or slightly outside your first-choice area.
 - Ask your agent to explain how assistance works in your offer. Some sellers worry it slows the closing, and a lender letter that confirms the program's timeline can help.
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HURDLE 08

The home needs repairs

FHA, VA and USDA appraisals check basic safety and condition, so problems like peeling paint on older homes, missing handrails or broken systems may have to be fixed before closing.

How to fix it:

- Ask the seller to make the repairs before closing.
 - Negotiate a price reduction or credit for repairs the appraiser doesn't require.
 - Look at renovation loans, such as FHA 203(k) or conventional renovation loans, that finance the purchase and the repairs together.
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HURDLE 09

Something changes during underwriting

A new car loan, a job change or a large unexplained deposit can stop a loan that was already approved.

How to avoid it:

- Don't open new credit, finance furniture or co-sign for anyone until after closing.
- Tell your lender before changing jobs.
- Don't move money between accounts without keeping records, and source every large deposit.
- Respond to document requests the same day if you can.

Frequently asked questions

Can I buy a house with bad credit?

Possibly. FHA allows scores down to 580 with 3.5% down and 500 with 10% down, though many lenders set higher floors. Paying down card balances and fixing report errors can raise a score within a few months.

Can I buy a house with student loans?

Yes. Lenders count your student loan payment in your debt-to-income ratio. An income-driven repayment plan can lower the payment the lender uses, though rules differ by loan type.

What happens if the appraisal comes in low?

You can ask the seller to lower the price, pay the difference in cash, split the gap, challenge the appraisal with better comparable sales, or cancel under an appraisal contingency if your contract has one.

I am self-employed. Can I still get a mortgage?

Yes. Most lenders want two years of self-employment history and use your tax returns, so large write-offs can lower your qualifying income. Talk to a lender before filing your next return.

Sources

Checked October 22, 2026.

1. **AnnualCreditReport.com (free credit reports)**
<https://www.annualcreditreport.com/>
2. **CFPB: What is a debt-to-income ratio?**
<https://www.consumerfinance.gov/ask-cfpb/what-is-a-debt-to-income-ratio-en-1791/>
3. **HUD: Let FHA loans help you**
<https://www.hud.gov/buying/loans>
4. **CFPB: Find a HUD-approved housing counselor**
<https://www.consumerfinance.gov/find-a-housing-counselor/>
5. **CFPB: Buying a House**
<https://www.consumerfinance.gov/owning-a-home/>

About this report

Written by Tyler Thompson, licensed real estate agent, for HouseBuyerGuides.com. Figures were checked against the official sources listed above on October 22, 2026. Charts are illustrative examples built from the assumptions stated under each one.

This report is for education only and is not financial, legal or tax advice. Loan rules, fees and assistance programs change. Confirm the details with your lender and the program administrator before you make decisions.

NEXT STEP

Find the down payment assistance programs that serve your city

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