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Student Loans and Divorce



Credit Score Plays Part in Financing Child's Education -- even for Ex Partners

Sending children off to college is difficult for parents of all sorts. And the mixed emotions of letting go of a child, all while being excited for him to explore his potential, do not differ as a result of divorce.

But what does an ex-couple need to consider long before they pack up a U-haul and drop their child off at the campus dorm rooms? The financial aspects of an education may actually be affected by a separation. When it comes to school loans, experts say divorced parents do have a few things to keep in mind. Here are some tips from three experts:

1. Your joint credit score.

"Divorce almost always wreaks havoc with the credit reports and credit scores of both spouses," says credit expert John Ulzheimer, author of "[You're Nothing But a Number](#)," a guide to credit scores and personal finance. The main reason, Ulzheimer explains, is because when a couple separates, their joint payment responsibilities do not. This means then, that if one person is not paying, for example, the car loan, it affects both people's credit scores.

"The damage bleeds over into the child's application process because lenders will pull both credit reports if the child is applying jointly with a parent," Ulzheimer said. [Tina B. Tessina](#), Ph.D., author of "Money, Sex and Kids: Stop Fighting about the Three Things That Can Ruin Your Marriage," agrees with Ulzheimer:

"If parents keep their child's welfare in mind, and make it clear to their lawyers that the child's college education money is important, they can mitigate the problems," Tessina said. "Hostility is expensive – getting along is cheaper."

2. Who does the child live with?

Whether or not a child is eligible for a school loan depends on who the child primarily resides with, according to attorney Willem Gravett, a founding partner of New York-based, family law firm [Gravett & Gravett](#).

"If the child lives with the higher income parent, the child may not qualify for financial aid, for example, even if the child would have qualified had he or she lived with the lower income, non-custodial parent," Gravett said. "In situations such as these, the child's primary residence matters a great deal."

3. The type of school your child is attending.

Financial planner Cathy Pareto, founder and president of Miami-based Cathy Pareto & Associates, explains to divorced parents that financial aid for college can be "a bit tricky" because of the fact that the formula a school uses to approve a loan or grant will depend on the type of school it is. "For example, public institutions usually use what's called a federal formula for financial aid," Pareto said. "With the federal formula, they usually look mainly at the custodial parent's income and assets."

This means, Pareto said, that in a case where a school is only considering one parent's income or assets, the fact that a couple is divorced may actually work to a child's advantage when being considered for a loan. "What will impede the custodial parent's ability to qualify for more is that a parent does have to factor in child support, if any, as part of his or her income," Pareto said. "Child support usually extends to at least adult age, meaning 18 years, but sometimes, depending on the divorce settlement, it might extend to years after that, like up through college."

In addition, Pareto said, the custodial parent would have to include in an application any contributions that the non-custodial parent may choose to make to his or her child's education. "And the schools really look over these applications with a fine-tooth comb," Pareto said.

The other type of methodology that private or elite schools, such as Harvard University, use is called the institutional formula. Pareto explained that, "This one really drills into what the family's finances are."

With this formula, schools will consider both parents' income, in addition to a new partner as a result of remarriage, Pareto said. "This one's a little bit tougher," she said. One aspect of financial aid that Ulzheimer was sure to point out is that, "If the child is applying on their own, then it's a non-issue."

And all experts agreed that the main thing to keep in mind is the emotional aspects of a divorce that can affect a child. "The best thing divorced parents can do for the emotional health of their children – in financial matters and everything else – is to keep the children out of it," Gravett said. "The children should never, ever get caught in the crossfire."