

Student Loans

The agencies have different guidelines on how student loan payments are calculated. Below are the agency guidelines to help to determine what payment will need to be used as a qualifying payment for the borrower when there is a student loan on the borrower's credit report.

FNMA

Fannie Mae offers several alternative for calculating the qualifying student loans payment.

- Payment listed on the credit report this payment must be used.
- If the payment is zero or is not shown 1% of the balance listed on the credit report should be used, or
- Document the fully amortized loan payment, the statement must be provided.

If the borrower is on an income-driven payment plan, the lender may obtain student loan documentation to verify the actual monthly payment is \$0 and may qualify with the -0- payment

Freddie Mac

Use reported payment on credit report if payment is fully amortizing. If payment is not fully amortizing; use the greater of:

- The monthly payment amount reported on the credit report, or
- 0.5% of the original loan balance or outstanding balance as reported on the credit report, whichever is greater

If the loan is in deferment or forbearance the qualifying payment is the greater of:

- The monthly payment amount reported on the credit report, or
- 1% of the original loan balance or outstanding balance as reported on the credit report, whichever is greater

The student loan payment may be excluded from the monthly DTI when the loan will be forgiven, cancelled or discharged/employment-contingent repayment provided the Mortgage file contains documentation that indicates the following:

- The monthly payment on a student loan is deferred or is in forbearance and the full balance of the student loan will be forgiven, canceled, discharged or in the case of an employment-contingent repayment program, paid at the end of the deferment or forbearance period.

AND

- The Borrower currently meets the requirements for the student loan forgiveness, cancellation, discharge or employment-contingent repayment program, as applicable, and the lender is not aware of any circumstances that will make the Borrower ineligible in the future

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FHA

Regardless of the payment status, use the greater of either:

- 1% of the outstanding balance on the loan; or
- the monthly payment reported on the Borrower's credit report; or

The actual documented fully amortize payment can be used as the qualifying payment which is typically documented by obtaining the statement. You will need to know the loan amount interest rate and the term in order to determine if the payment is fully amortized. Using a student loan calculator which can be found on the internet can be helpful to determine the payment once you have the information.

RD

Regardless of the payment status, use the greater of either:

- 1% of the outstanding balance on the loan; or
- the monthly payment reported on the Borrower's credit report; or

The actual documented fully amortize payment can be used as the qualifying payment which is typically documented by obtaining the statement. You will need to know the loan amount interest rate and the term in order to determine if the payment is fully amortized. Using a student loan calculator which can be found on the internet can be helpful to determine the payment once you have the information.

VA

If the Veteran or other borrower provides written evidence that the student loan debt will be deferred at least 12 months beyond the date of closing, a monthly payment does not need to be considered. If a student loan is in repayment or scheduled to begin within 12 months from the date of loan closing, count the anticipated payment based on the greater of:

- Calculate each loan at a rate of 5% of the outstanding balance divided by 12 months (example: \$25,000 student loan balance x 5% = \$1,250 divided by 12 months = \$104.17 per month is the monthly payment for debt ratio purposes).
- Payment on credit report.
 - However, if the payment reported on the credit report is less than the threshold payment calculation above, the credit report payment may be used as long as the file contains a statement from the student loan servicer that reflects the actual loan terms and payment information for each student loan(s). The statement(s) must be dated within 60 days of loan closing and maybe an electronic copy from the student loan servicer's website or a printed statement provided by the student loan servicer.