



Important Announcement

6/21/2021

This announcement includes notices regarding updates for Flanagan State Bank's Retail & TPO Division

This will reference:

FHA Student Loans – Mortgagee Letter 2021-13

FHA Student Loans

Effective immediately, FHA has updated their stance on Student Loan debt and how it can be calculated in the ratios. This section has been added to our FHA Matrix. Underwriting will be reviewing FHA loans using this updated information from Mortgagee Letter 2021-13:

Student Loans (TOTAL and Manual)

The following update from Mortgagee Letter 2021-13 is effective for all case numbers assigned on or after August 16, 2021 however, mortgagees may begin using the policy immediately. The mortgagee must include all student loans in the borrower's liabilities, regardless of the payment type or status of payment.

- Required Documentation If the payment used for the monthly obligation is less than the monthly payment reported on the Borrower's credit report:
 - ◆ Written documentation of the actual monthly payment, the payment status and evidence of the outstanding balance and terms from the creditor or student loan servicer
- Calculation of Monthly Obligation

Regardless of the payment status, the mortgagee must use either:

- The payment amount reported on the credit report or the actual documented payment, when the payment amount is above zero, or

.50% of the outstanding loan balance, when the monthly payment reported on the Borrower's credit report is zero.

If you have any questions regarding this information, please feel free to contact mtgsupportcenter@flanaganstatedbank.com.

Sincerely,

Flanagan State Bank Mortgage Division Management

333 Chicago Road, PO Box 302 – Paw Paw, IL 61353 – 815.676.0990