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**Lunch & Learn**

***Script for: Solutions for Clients with Student Loan Debt***

**Approximate Length: 30 Minutes with Questions**

***Note to Presenter:*** Feel free to adjust the presentation by adding or subtracting information that applies to your skill set and company offerings, or even changing the Title! Our Lunch & Learn programs are “Ready to Present” or “Customizable”.

**Reference:** The ***Student Loan Repayment – All Agencies Chart*** is your main reference for this Lunch & Learn. Charts and Guidelines should **NOT** be shared with your audience. These resources are meant for ***your reference only*** to guide you in answering questions. Charts, Checklists and Guidelines are updated frequently and contain details that a novice may find confusing. If you pass these out, you run the risk of having old information with your referral sources, and that can turn into a contract based on outdated information. Not good!

You can find this chart under “Charts & Checklists”, category “Universal”, titled ***“Student Loan Repayment Chart – All Agencies”.***

**Further Reference:**

Our Debts Paid by Others Chart is also helpful to understand the guidelines when a parent or other person is paying back student loan debt for your clients.

You can find this chart under “Charts & Checklists”, category “Universal”, titled ***“Debts Paid by Others”***.

We suggest that you type into our search bar ”student loan”, “debts paid by others”, and “Fannie Mae student loan cash out”, and read through the recent questions and articles on these subjects. This helps to fill in your knowledge gaps and prepares you for the questions you may be asked.

***Script Tip:*** Scripts are meant to be used as a guide for talking points and not to be read to your audience. Make sure that you understand the talking points and put this script into your own words. Be sure to add your Information, logos, NMLS # and Other Company Required Disclaimers to your presentation. Also, check your company overlays. We base our Lunch & Learn programs on agency requirements, and some lenders overlay requirements that may be different from the information in our presentation.

***Embellish and make this presentation your own.*** Your audience will love hearing your “real life” stories and how you solved those problems using the information you are presenting. Those stories, in addition to the presentation, will help position you as the “go to” mortgage person in your community.

**Slide One:**

Hello everyone, my name is *[your name]* with *[your company]* and I thank you for attending today’s session on Solutions for Clients with Student Loan Debt. Today I’d like to offer solutions for the issue that is plaguing far too many potential buyers, and that is student loan debt. We have many creative solutions to assist your clients and help them get out of the renter’s cycle.

**Slide Two:**

43% of college-educated Americans have stated that they are postponing buying a home due to student loan debt. Considering that there are 87 million Millennials and many of them with student debt, the potential in this market is staggering! Our goal is to help them find a solution and figure this puzzle out so that they can achieve their dream of homeownership!

**Slide Three:**

Just because someone has student debt or a college degree, it does not mean that they fully understand the debt enough to know how to repay it, or even restructure it to their advantage.

The first step in looking for a solution to their issue is to understand the types of repayment available. I’m going to review in detail:

* Fully Amortized Student loans
* IBC or Income-Based Repayment loans
* Loans that are Deferred or in Forbearance
* Loans subject to Forgiveness or Grants
* A Very Popular Employer-Based Repayment
* And what happens if Mom/Dad or someone else pays the loan?

**Slide Four:**

A fully amortized student loan is a loan that is being repaid on the original terms. No changes have been made and the full payment is being made for the term agreed to.

IBC is an Income-based Repayment Plan. Upon graduation many people were unable to find jobs that could pay their monthly student loan payment and provide food and housing. As a result, student loan servicing companies set up payment plans that were more in line with the person’s income. Under the income-based repayment plan, the payment is determined based on your monthly expenses and is seen as an affordable way to live and pay back your student loans. The downside of this program is that it lengthens the time of repayment and therefore the amount of interest that the client is paying.

The upside is that clients who do not know about this program may be able to exercise this option to reduce their student loan payment in order to qualify for a home.

**Slide Five:**

When a student loan is in deferment, this allows the person to postpone the payment on the student loan. You may have seen this with those returning to college or graduate school, or perhaps for those who are going into an internship, clerkship, fellowship or residency program.

How much of a payment will need to be considered to buy a home when a loan is in deferment varies depending on the loan program. For some programs we don’t need to count the payment if it is deferred for 12 months or more. For others the lender will calculate a payment based on the credit report or a percentage of the balance. This is why it is important to send your client to me first, so that we know exactly what payment will be used to qualify your clients.

When a loan is in Forbearance the borrower is allowed to temporarily stop making payments on the student loan. Reasons for forbearance include medical issues, changes in employment, or financial difficulties. Investors vary on their guidelines for loans in forbearance, so this is something I will always need to explore with our mutual clients.

**Slide Six:**

One of the hottest trends in employment for competitive fields is employer-based repayment programs. Some industries are heavily competing for talent, and one way to beat out the competition for that talent is to pay a person’s student loans. We are seeing this in the medical field, technology and even trades where demand is high, but talent is tough to find.

Employer-based repayment plans may be partial or even full payment. How they are structured, such as contingencies and the program details, will directly impact how we can qualify the client. If you have a client in one of these types of programs, contact me immediately so that I can discuss the details and how they may or may not affect their qualifying for a loan.

**Slide Seven:**

Many potential homebuyers have been given a false narrative when it comes to qualifying for a mortgage when someone else pays the student loan.

They’ve been told that if they are on the loan, the lender has to count it, and that is just not true. If we can document that someone else has been making the last 12 payments, we do not need to count the student loan debt against the borrower. This is called Debt paid by others. When the agencies that buy mortgages noticed that many people were being helped by family members, they made changes to their guidelines.

There is also another option that may be available to some clients. This the option of having someone else pay off the loan or assume the debt.

**Slide Eight:**

Student loans have become such an issue that Fannie Mae came out with a special program. It’s called a Fannie Mae Student Loan Cash-Out option. This is a special cash-out program that allows a person to use the equity in their home to pay off their student loans. Yes, there are homeowners with student debt who have equity, and this is an option that few know about. The end result is that it typically lowers their overall debt obligation, so this program should be explored. It also allows the client to pay off the debt so that when they go to sell their present home, they don’t have to worry about qualifying with the student loan debt on their new home.

The LTV limit on this program is 80% and it does require that all student loans are paid in full, not just some. Fannie Mae also offered more incentive by waiving the pricing adjustments that they usually charge for this program, which can substantially reduce the rate!

**Slide Nine:**

Sometimes my clients will talk to me about consolidating their student loans. If you are familiar with student loans, they often aren’t just one loan. Typically, they are many loans and you have to make payments on each one. This is why some people consider consolidating them into one payment.

There are pros and cons to consolidating. [Note to Presenter: Go through the pros and cons on the chart without reading each of them in their entirety. A quick summary will keep your audience engaged.]

**Slide Ten:**

In the mortgage lending industry, we are tasked with finding the minimum payment required to be used to qualify for a mortgage. When it comes to student loans, I can tell you that this calculation varies greatly.

Some programs will allow what is on the credit report. Others will require the greater of the full payment vs. the credit report. And still others will allow you to document the actual payment through loan documentation or a percent of the balance.

And as I mentioned earlier, deferred loans may be excluded from the DTI on some programs, but is not allowed on other programs.

Part of structuring your client’s loan is to help the borrower determine what program will best meet their needs for qualifying – and this is what we do for each one of our clients.

**Slide Eleven:**

I want to thank all of you for attending today’s session and I hope that I provided some good take-aways for you today. Please feel free to ask me any questions now, or just pull me aside and we can talk privately.

*[Note to presenter: After you answer questions, immediately set a date with the person in charge for the next lunch and learn. This is your time to take advantage of the good feelings in the room. Your goal is to do at least one per month, so at the end of each session, set the next one!]*