

Student Loan Repayment Rules

Rules for FHA, VA, USDA, Fannie, Freddie

Agency - FHA	If payment is already established	If payment is to begin within 12 mos	If payment is to be deferred	If payment has been reduced
<p>FHA - The Rule: 4000.1 Handbook (II.A.4.b.iv.(H) (TOTAL) and II.A.5.a.iv.(G) (Manual))</p> <p>Regardless of the payment status, the Mortgagee must use either:</p> <ul style="list-style-type: none"> the greater of: 1 percent of the outstanding balance on the loan; or the monthly payment reported on the Borrower's credit report; <p>Or</p> <ul style="list-style-type: none"> the actual documented payment, provided the payment will fully amortize the loan over its term. 	<p>Use either: the greater of: 1 percent of the outstanding balance on the loan;</p> <p>OR – the monthly payment reported on the Borrower's credit report;</p> <p>OR the actual payment, if the payment will fully amortize the loan over its term.</p>	<p>Use either: the greater of: 1 percent of the outstanding balance on the loan;</p> <p>OR – the monthly payment reported on the Borrower's credit report;</p> <p>OR the actual payment, if the payment will fully amortize the loan over its term.</p>	<p>Use either: the greater of: 1 percent of the outstanding balance on the loan;</p> <p>OR – the monthly payment reported on the Borrower's credit report;</p> <p>OR the actual payment, if the payment will fully amortize the loan over its term.</p>	<p>Use either: the greater of: 1 percent of the outstanding balance on the loan;</p> <p>OR – the monthly payment reported on the Borrower's credit report;</p> <p>OR the actual payment, if the payment will fully amortize the loan over its term.</p>

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Agency - VA	If Payment is Already Established OR If Payment is to Begin within 12 Months	If Payment is to be Deferred	If Payment Has Been Reduced
<p>VA - The Rule: Chapter 4</p> <p>If student loan repayment is scheduled to begin within 12 months of the date of VA closing, lenders should consider the anticipated monthly obligation in the loan analysis. If the borrower is able to provide evidence that the debt may be deferred for a period of time outside that timeframe, the debt need not be considered in the analysis.</p>	<p>Determine the “threshold” payment of 5% of outstanding loan balance ÷ 12.</p> <p>If payment on credit report is higher than threshold payment, then use the payment shown on the credit report.</p> <p>If the actual payment is lower than threshold payment, lender may use it IF the veteran provides a statement from the loan servicer documenting the terms and loan payment. (Servicer website may be used.)</p>	<p>Don’t count the payment if deferred for more than 12 months from loan closing.</p>	<p>Same guidance as “if payment already established.”</p>

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Agency – Fannie Mae	If Payment is Already Established OR Payment is to Begin Within 12 Months	If Payment has been Deferred OR If Payment has been Reduced
<p>Fannie - The Rule: B3-6-05 – Monthly Obligations</p> <p>For all student loans, regardless of whether the loan(s) are in deferment, in forbearance, or in active repayment (not deferred). The lender must include a monthly payment when qualifying borrower, there may be times that the amount you use to qualify borrower is \$0 (see grid to the right). In all cases, the lender MUST use one of the options that are listed to the right.</p>	<p>Options:</p> <ol style="list-style-type: none"> 1. If a monthly student loan payment is provided on the credit report, the lender may use that amount for qualifying purposes. 2. If the credit report does not reflect the correct monthly payment, the lender may use the monthly payment that is on the student loan documentation (the most recent student loan statement) to qualify the borrower. 3. If the credit report does not provide a monthly payment for the student loan, or if the credit report shows \$0 as the monthly payment, the lender must determine the qualifying monthly payment using the option below. <ol style="list-style-type: none"> a. 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. The lender may then qualify the borrower with a \$0 payment. 4. OR - You may exclude payment from ratios if you have 12 months cancelled checks from party paying 100% of debt, as long as no delinquencies. Cannot be interested party to transaction. 	<p>Options:</p> <p>Follow guidance in first two columns to the left OR: For deferred loans or loans in forbearance, the lender may calculate based on one of the following two options:</p> <ol style="list-style-type: none"> 1. a payment equal to 1% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment), <p>OR</p> <ol style="list-style-type: none"> 2. a fully amortizing payment using the documented loan repayment terms. <p>OR</p> <p>You may exclude payment from ratios if you have 12 months cancelled checks from party paying 100% of debt, as long as no delinquencies. Cannot be interested party to transaction.</p>

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Agency - USDA	If payment is already established	If payment is to begin within 12 months	If payment is to be deferred	If payment has been reduced
<p>USDA - The Rule: Handbook 3555, Chapter 11: Student loans are long-term debt obligations and must be included in the debt ratio, regardless of whether deferred or in forbearance.</p>	<p>A fixed payment may be used in the debt ratio when the lender retains documentation to verify the payment is fixed, the interest rate is fixed, and the repayment term is fixed. There must be no future adjustments to the terms of the student loan payments.</p> <p>Non-Fixed payment loans: Payments for deferred loans, Income Based Repayment (IBR), Graduated, Adjustable, and other types of repayment agreements that are not fixed cannot be used in the total debt ratio calculation.</p> <p><u>The higher of one-half percent (.50%) of the outstanding loan balance documented on the credit report or creditor verification or: The current documented payment under the approved repayment plan with the creditor.</u></p>	<p>A fixed payment may be used in the debt ratio when the lender retains documentation to verify the payment is fixed, the interest rate is fixed, and the repayment term is fixed. There must be no future adjustments to the terms of the student loan payments.</p> <p>Non-Fixed payment loans: Payments for deferred loans, Income Based Repayment (IBR), Graduated, Adjustable, and other types of repayment agreements that are not fixed cannot be used in the total debt ratio calculation.</p> <p><u>The higher of one-half percent (.50%) of the outstanding loan balance documented on the credit report or creditor verification or: The current documented payment under the approved repayment plan with the creditor.</u></p>	<p><u>The higher of one-half percent (.50%) of the outstanding loan balance documented on the credit report or creditor verification or: The current documented payment under the approved repayment plan with the creditor.</u></p>	<p><u>The higher of one-half percent (.50%) of the loan outstanding loan balance documented on the credit report or creditor verification or: The current documented payment under the approved repayment plan with the creditor.</u></p>

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Agency – Freddie Mac	If Payment is Already Established OR Payment is to Begin Within 12 Months	If payment is to be deferred	If payment has been reduced
<p>Freddie - The Rule: Section 5401.0 Monthly Debt to Income</p> <p>Requires lenders to use a monthly payment</p>	<p>1. If the monthly payment amount is greater than zero, use the monthly payment amount reported on the credit report or other documentation, OR</p> <p>2. If the monthly payment amount reported on the credit report is zero, use 0.5% of the outstanding balance, as reported on the credit report.</p>	<p>1. If the monthly payment amount is greater than zero, use the monthly payment amount reported on the credit report or other file documentation, or</p> <p>2. If the monthly payment amount reported on the credit report is zero, use 0.5% of the outstanding balance, as reported on the credit report.</p>	<p>The student loan payment may be excluded from the monthly DTI ratio provided the file includes documentation that indicates:</p> <p>-The student loan has ten or less monthly payments remaining until the full balance of the student loan is forgiven, canceled, discharged or in the case of an employment contingent repayment program, paid, or</p> <p>-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</p> <p>-The Borrower currently meets the requirements for the student loan forgiveness, cancelation, 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.</p>

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