



LET'S TAKE MORTGAGE FORWARD



Student Loan Payment Calculation Job Aid

FNMA

For all student loans, whether deferred, in forbearance, or in repayment (not deferred), the lender must include a monthly payment in the borrower's recurring monthly debt obligation when qualifying the borrower. The lender must use one of the options below to determine the repayment amount:

- 1% of the outstanding balance;
- The actual payment that will fully amortize the loan(s) as documented in the credit report, by the student loan lender, or in documentation supplied by the borrower;
- A calculated payment that will fully amortize the loan(s) based on the documented loan repayment terms; or
- If the repayment terms are unknown, a calculated payment that will fully amortize the loan(s) based on the current prevailing student loan interest rate and the allowable repayment period shown in the table below. The "current prevailing student loan interest rate" can be found on a variety of websites. For example, see U.S. Department of Education Federal Student Aid in E-1-03, List of Contacts.

Guide Reference - <https://www.fanniemae.com/content/guide/selling/b3/6/05.html#Student.20Loans>

The following table specifies the repayment period to be used when calculating a fully amortizing payment.

Calculating a Student Loan Repayment

Total outstanding balance of all student loans	Repayment Period
\$1 - \$7,499	10 years
\$7,500 - \$9,999	12 years
\$10,000 - \$19,999	15 years
\$20,000 - \$39,999	20 years
\$40,000 - \$59,999	25 years
\$60,000+	30 years



Note: The lender is responsible for determining that the payments on the credit report or other documents provided by the student loan lender or borrower are fully amortizing payments.



Student Loan Payment Calculation Job Aid continued

FHLMC

When a monthly payment on an installment debt is not reported on the credit report or is listed as deferred, the Seller must obtain documentation verifying the monthly payment amount included in the monthly debt payment-to-income ratio. If no monthly payment is reported on a student loan that is deferred or is in forbearance, and there is no documentation in the mortgage file indicating the proposed monthly payment amount (e.g., the loan verification letter), 1% of the outstanding balance will be considered to be the monthly amount for qualifying purposes. Examples of documentation of the required payment amount include:

- A direct verification obtained from the creditor;
- A copy of the installment loan agreement obtained from the borrower; or
- If payments are currently deferred, the payment amount that will be required once the deferment or forbearance period has ended, as stated in a copy of a financial institution's student loan certification or the installment loan agreement.

Guide Reference - 5401.2: Monthly debt payment-to-income ratio

FHA

Must include all student loans in the borrower's liabilities, regardless of the payment type or status of payments. Calculation of monthly obligation, regardless of the payment status, must use either:

the greater of:

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

the actual documented payment, provided the payment will fully amortize the loan over its term.

Additional documentation required if the payment used for the monthly obligation is:

- less than 1 percent of the outstanding balance reported on the borrower's credit report; and
- less than the monthly payment reported on the borrower's credit report.

Provide written documentation of the actual monthly payment, the payment status, and evidence of the outstanding balance and terms from the creditor.

Guide Reference - 4000.1 II.A.4.b.iv(H) (TOTAL) and II.A.5.a.iv.(G) (Manual)

VA

If student loan repayments are scheduled to begin within 12 months of the date of VA loan 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 outside that time frame, the debt need not be considered in the analysis.

Guide Reference - Lenders Handbook Chapter 4, Section 5, Debts and Obligations



Student Loan Payment Calculation Job Aid continued

USDA

Lenders must include the greater of:

- 1 percent of the outstanding loan balance; or
- The fixed payment as reflected on the credit report.

Income Based Repayment (IBR) plans, graduated plans, adjustable rates, interest-only and deferred plans are examples of repayment plans that are subject to change and do not represent a fixed payment or repayment plan. These types of repayment plans are unacceptable to represent a long-term fixed payment repayment plan. It is the lender's responsibility to ensure the correct fixed payment is utilized in the capacity analysis. No additional documentation is required if a credit report is obtained.

Guide Reference - <http://www.rd.usda.gov/files/3555-1chapter11.pdf>

PCM Jumbo

Payments on student loans in deferred status must be verified and considered in total liabilities. If the payment cannot be verified, the monthly payment may be calculated based on 2% of the balance of the student loan.

Guide Reference - 12.6. Student Loans

Wells Fargo Jumbo

Deferred payments on student loans and deferred payments on revolving accounts must be included in the total debt ratio. When the credit report does not include a payment on the debt, documentation of the payment amount must be obtained. Examples of documentation of the payment include but are not limited to:

- Direct verification from the creditor;
- Copy of the installment loan agreement;
- Student loan certification from the financial institution holding the loan.

Guide Reference - N/A (internal)

Information above current as of 6/30/2016 and is subject to change without notice. When a discrepancy arises between this job aid and the applicable agency guide, the agency guide will prevail.