



Student Loan Cheat Sheet – September 2019

Below is guidance regarding the qualifying payment to use on student loans for FHA, VA, USDA and Conventional including guidance for when a student loan is in deferment, forbearance, is under IBR (Income Based Repayment) or PAYE (Pay As You Earn)

FHA:

Regardless of the repayment status, the loan must be qualified using either:

- 1) The **greater** of 1% of the outstanding balance on the loan **or** the monthly payment report on the credit report.
- 2) The actual documented payment, provided the payment will fully amortize the loan over its term. If this amount is less than either of the amounts in #1, written documentation must be obtained with the actual monthly payment, the payment status and evidence of the outstanding balance and terms of the loan in addition to evidence it is a fully amortizing loan.

VA:

If there is documentation in the file that the student loan payments will be deferred for a full 12 months from the date of closing the monthly payment does not need to be considered.

If the student loan is in repayment or scheduled to begin within 12 months of the loan closing, the anticipated monthly obligation must be considered in the loan analysis.

First, calculate each loan at a rate of 5% of the outstanding balance divided by 12 months. Then apply guidance from #1 or #2 below

- (1) If the payment on the credit report is GREATER than the 5% calculation above qualify at the credit report payment.
- (2) If the payment on the credit report is LESS than the 5% calculation above, the file must contain a statement from the student loan servicer that reflects the actual loan terms and payment information for each student loan(s) in order to use this lesser amount in qualifying. The statement must be dated within **60 days** of closing and may be an electronic copy from the student loan servicer's website or a printed statement provided by the student loan services.



Corporate Office
2449 Camelot Court SE, Grand Rapids, MI 49546
Phone (616) 940-3000 | Toll Free 888-4-VanDyk (888-482-6395)
www.VanDykMortgage.com | NMLS #3035



USDA:

Student loan payments must be qualified using the **greater of one-half of one percent (.5%)** of the loan balance as reflected on the credit report **(or)** the actual payment on the credit report. **(reduced from 1% of the loan balance effective 9.23.19)**

Exception: Monthly payments that are less than **one-half percent** of the outstanding balance may be used when the loan has a payment that is fixed, interest rate that is fixed and the repayment term is fixed. Evidence from the loan servicer must be obtained verifying these three items.

Note: IBR, PAYE, graduated plans, adjustable rates, and other types of repayment agreements which are not fixed do **not** qualify for the exception. **One-half** percent of the loan balance as reflected on the credit report must be used as the monthly payment. No additional documentation is required.

FANNIE MAE CONVENTIONAL:

If a monthly payment is provided on the credit report, that amount may be used as the monthly payment for qualifying purposes. If the credit report does not reflect the correct monthly payment, the monthly payment on the student loan documentation (the most recent student loan statement) can be used to qualify the borrower.

If the credit report does not provide a monthly payment, or shows the credit report shows \$0 as the monthly payment, then one of the options below must be used.

- If the borrower is on an income-driven payment plan, and documentation is obtained to verify the actual monthly payment is \$0, then the borrower may be qualified with a \$0 payment.
- For deferred loans or loans in forbearance calculate:
 - A payment equal to 1% of the outstanding loan balance (even if this amount is lower than the actual fully amortizing payment) or
 - A fully amortizing payment using the documented repayment terms.

FREDDIE MAC Conventional

Freddie Mac simplified their student loan requirements. For mortgages closed on or after November 1, 2018 student loans in repayment, deferment or forbearance have the same requirements:

- If the monthly payment is greater than zero, use the monthly payment reported on the credit report or other file documentation, or
- If the monthly payment amount reported on the credit report is zero, use .5% of the outstanding balance, as reported on the credit report.

Loans closing prior to November 1, 2018 continue to use old guidance below:

For calculating the monthly DTI ratio of a Student loan that is in repayment, use the greater of:

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

For calculating the monthly payment of a Student loan that is in deferment or forbearance use 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.