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FHA Underwriting Update: Student Loan Policy

In [Mortgagee Letter 2016-08](#) FHA announced a change in how to calculate and document monthly Student Loans payments, regardless of payment status. This change can be applied immediately, but is required for FHA Case Numbers ordered on or after 6/30/2016.

The change has three components:

1. **Topic:** Student Loans, as a topic, has been given its own category in the 4000.1 Handbook, and is no longer addressed under 'deferred obligations.' All student loans, regardless of status, (i.e. deferment, forbearance, or repayment) must be counted in borrower DTI calculation.
2. **Payment Calculation:** The monthly payment for a student loan, regardless of payment status, must be calculated by using
 - The *greater* of:
 - 1% of the outstanding balance of the loan; or
 - the monthly payment reported on the borrower's credit report; or
 - The actual documented payment from the student loan servicing statement, provided the payment will fully amortize the loan over its term.
3. **Required Documentation:** use borrower's credit report, or individual servicing statement from creditor. However, if the payment used for the monthly obligation is:
 - Less than 1% of the outstanding balance reported on the Borrower's credit report, AND
 - Less than the monthly payment reported on the borrower's credit report, then
 - The mortgagee must obtain written documentation of the actual monthly payment, the payment status and evidence of the outstanding balance and terms from the creditor.

With this change, Income Based Repayment (IBR) plans evidencing monthly payments that will not fully amortize over the term of the loan are not acceptable, including payments of \$0.00.

Questions: Please address all questions to LoanHelpDesk@ResMac.com .