

MBA's Recommended Changes to FHA's Calculation of Student Loan Debt

FHA	VA	USDA	GSEs	MBA's Proposal
<p>If monthly student loan payment does not fully amortize the debt, FHA presumes 1% of the outstanding balance as the monthly payment</p>	<p>VA accepts the amount reported on the credit report. If no payment is reported or student loan repayment is in deferment for less than 12 months, the lender must have the terms and payment documented/verified by the student loan servicer.</p>	<p>If monthly student loan payment does not fully amortize the debt, USDA presumes 0.5% of the outstanding balance as the monthly payment.</p>	<p>Fannie Mae accepts the amount reported on the credit report as the monthly payment even if it's zero. Freddie Mac accepts the amount reported on the credit report. If the monthly payment is reported as zero or if loans are deferred or are in forbearance, Freddie Mac presumes 0.50% of the outstanding student loan balance or will accept a fully amortizing payment using the documented loan repayment terms.</p>	<p>Recommendation 1: Use the actual payment on the credit report. (Align with GSEs and VA.) or Recommendation 2: For any payment that does not fully amortize the debt, presume 0.5% of the outstanding balance as the monthly payment. (Align with USDA.)</p> <p>* USDA amended its 1% policy to 0.5% in September 2019.</p>