



Bulletin 16-25

Student Loan Payment Calculation on Fannie Mae Transactions

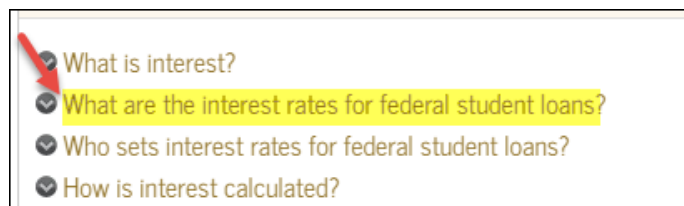
Fannie Mae has clarified the options available when determining the student loan payment amount used in the DTI calculation in Fannie Mae [Announcement SEL-2016-04](#) issued May 31, 2016.

All student loans, regardless of loan payment status (deferred, in forbearance, or in repayment) must be included in the borrower's DTI calculation.

The following options are available (options 3 & 4 were added as clarification):

1. The actual fully amortizing payment (as identified on the credit report, the student loan lender, or the borrower's repayment letter/forbearance agreement), **or**
2. 1% of the outstanding loan balance, **or**
3. A calculated payment that will fully amortize the loan based on the documented loan repayment terms, **or**
4. 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 (see link below) and the allowable repayment period terms (see Calculating a Student Loan Repayment table below).

NOTE: Refer the [U.S. Department of Education Federal Student Aid](#) website and select "What are the interest rates for federal student loans" topic for current interest rates



Calculating a Student Loan Repayment	
Total Outstanding Balance (Combined for all student loans)	Repayment Period
\$1 to \$7,499	10 years
\$7,500 to \$9,999	12 years
\$10,000 to \$19,999	15 years
\$20,000 to \$39,999	20 years
\$40,000 to \$59,999	25 years
\$60,000 +	30 years

Example: Calculating an Amortizing Payment

Loan Balance: \$17,500

Repayment Period: 15 years

Interest Rate: 4.29% (from U.S. Department of Education Federal Student Aid website)

Monthly Amortizing Payment: \$132.00

An amortization schedule calculator is available at: Bankrate.com

All payments/calculations used for qualifying, regardless of the option used, must be **fully amortizing**.

HomeBridge has updated the Fannie Mae Conforming and High Balance matrix with this information and posted it on the HomeBridge website at www.HomeBridgeWholesale.com

If you have any questions, please contact your Account Executive.