



MFM Bulletin: 010-2021

Date: June 25, 2021

Subject: FHA Student Loan Payment Calculations

The U.S. Department of Housing and Urban Development (HUD) has updated the payment calculation for student loans. The change is effective for all case numbers assigned on or after August 16, 2021; however, Member First Mortgage will begin using the new guidance effective immediately.

All student loans must be included in the borrower's liabilities, regardless of the payment type or status of payments.

Required Documentation:

- If the payment used for the monthly obligation is less than the monthly payment reported on the Borrower's credit report, then we must obtain written documentation of the actual monthly payment, the payment status, and evidence of the outstanding balance and terms from the creditor or student loan servicer.
- The Lender may exclude the payment from the Borrower's monthly debt calculation where written documentation from the student loan program, creditor, or student loan servicer indicates the loan balance has been forgiven, canceled, discharged, or otherwise paid in full.
- Calculation of Monthly Obligation: For outstanding Student Loans, **regardless of payment status**, the Lender must use:
 - The payment amount reported on the credit report or the actual documented payment, when the payment amount **is above zero**; or
 - 0.5 percent of the outstanding loan balance, when the monthly payment reported on the Borrower's credit report is zero.

Please contact the MFM Underwriting department (underwriting@memberfirstmortgage.com) if you have any questions or concerns.

Thank you