



first community mortgage

# WHOLESALE ANNOUNCEMENT 2021-17

June 24, 2021

## FHA Guideline Update Deferred Installment Debt

### Effective Date

Case # assignment on or after June 25, 2021

### Updated Guideline Section

FHA Guidelines-Section: 1.07.14 Deferred Installment Debt

### Guideline Verbiage Removed

#### Section 1.07.14

All deferred installment debt (student and non-student) must be included in the borrower's DTI regardless of length of deferment.

#### Non-Student Installment Debt

The actual verified monthly payment may be used in qualifying. If a payment cannot be verified, 5% of the outstanding balance must be used as a payment for qualifying purposes.

#### Student Installment Debt

All Student Loans must be included in the Borrower's liabilities, regardless of the payment type or status of payments. Regardless of payment status, the borrower's payment will be calculated as:

- the greater of:
  - 1% of the outstanding balance on the loan; or
  - the monthly payment reported on the borrower's credit report.

OR

- The actual documented payment, provided the payment will fully amortize over the loan term.

### Guideline Verbiage Added

#### Section 1.07.14

Student Loans are liabilities incurred for educational purposes and must be included in Borrower's liabilities regardless of the payment type or status. Payments may be excluded 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, cancelled, discharged, or otherwise paid in full.

#### Calculation of Monthly Obligation

For outstanding student loans, regardless of payment status, the following calculation must be used:

- 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.