



TOOLS TO HELP YOUR BORROWERS WITH STUDENT LOAN DEBT

Student loan debt is one of the reasons many borrowers believe they would not qualify for a mortgage today. GMFS is here to help get these borrowers qualified. We've got tools for you to use to get them approved today!

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Don't Let Student Loans Keep You Away from Homeownership

Having student loan debt does not automatically preclude you from qualifying for a home loan. There's a range of home loan programs that vary in requirements. Depending on your goals, you more than likely qualify for at least one of the home purchase products even if you have a student loan. Some, more accessible than you think!

As with any financing, your Debt-to-Income (DTI) Ratio is a significant factor in qualifying for a loan. Certain home loan programs weigh student loan debt differently when calculating your DTI. Your Loan Officer can review the best options for your situation.

What is DTI?

A debt income ratio (often abbreviated DTI) is the percentage of a consumer's monthly gross income that goes toward paying debts. (DTIs often cover more than just debts; they can include principal, taxes, fees, and insurance premiums as well.)

The two main kinds of DTI are expressed as a pair using the notation x/y (for example, 28/36).

- The first DTI, known as the front-end ratio, indicates the percentage of income that goes toward housing costs, which for renters is the rent amount and for homeowners is PITI (mortgage principal and interest, mortgage insurance premium (when applicable), hazard insurance premium, property taxes, and homeowners' association dues (when applicable)).
- The second DTI, known as the back-end ratio, indicates the percentage of income that goes toward paying all recurring debt payments, including those covered by the first DTI, and other debts such as credit card payments, car loan payments, student loan payments, child support payments, alimony payments, and legal judgments.

Will I be able to qualify?

If you have a credit score of 640 or higher, plus your income, employment and assets (e.g. Checking, Savings, etc.) can be verified with documentation—then typically you're in a good position to qualify for a home loan—however, there are programs available where lower credit scores are acceptable.

There are a range of home loan programs with varying minimum qualifications and features such as low to zero minimum down payment, such as:

- VA Loans
- Rural Development/USDA Loan
- HomeReady
- Home Possible
- Home Possible Advantage


We can review the best options for your situation and also let you know if there are any homebuyer assistance programs featuring non-repayable grants, available in your area that you qualify for.

 Loan Officer Name
LO Email
LO Phone #
NMLS #

 Type your legal disclaimer in this box

Customizable flyer targeting borrowers worried about student loan debt

Student Loan Payment Comparison					
	FANNIE	FREDDIE	FHA	VA	RD
Student Loan Payment used to Calculate DTI	Include in DTI: • Monthly payment from credit report or • 1.0% of loan balance or • the documented full amortized payment.	Include in DTI: • If the monthly payment from the credit report is greater than zero, use that payment or payment from other documentation.	Include the greater of: • 1.0% of outstanding balance on the loan or • the actual document payment • If the actual documented payment is < 1% of the outstanding balance, the Mortgagee may use the lower payment only if it will fully amortize the loan over its term.	Calculate 5% of student loan balance divided by 12... then... • If calculation is > bureau reported payment, then verify and use payment from lender • If calculation is < bureau reported payment, then use bureau payment	Include in DTI: • 1.0% of loan balance or • Fully amortized payment Documentation from loan servicer required
Deferred Student Loan Payment	Use 1.0% of Loan Balance to calculate DTI	• If payment on credit report is zero, use 0.5% of balance from the credit report.	Use the greater of: • 1% of the loan balance, or • The monthly payment from credit report	Student Loan Payments are not included in DTI calculation if payments are deferred over 12 months past the closing date	Use 1.0% of Loan Balance to calculate DTI
Re-payment Plan Federal Student Loans (Income Based)	Use current payment from re-payment plan in DTI to qualify		Use full payment in DTI to qualify. Lower monthly payment from the Re-payment Plan cannot be used.	Use full payment in DTI to qualify. Lower monthly payment from the Re-payment Plan cannot be used.	Use 1.0% of Loan Balance to calculate DTI
Re-payment Plan Private Student Loans (Income Based)	Use fully amortized payment in DTI to qualify. Cannot use the minimum from the Re-payment Plan		Use full payment in DTI to qualify. Cannot use the minimum from the Re-payment Plan	Use full payment in DTI to qualify. Cannot use the minimum from the Re-payment Plan	Use 1.0% of Loan Balance to calculate DTI

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Easy to read matrix to help you understand how to calculate student loan payments for each program

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