Lender Operations Update

Attn: Correspondent and HFA Lenders

Freddie Mac Student Loan Debt and FHA Loan Requirements

Correspondent and HFA Update

Summary

This Lender Operations Update (LOU) provides new guidance on the following topics:
- Freddie Mac Bulletin 2017-23 – Student Loan Debt Calculation
- Photo ID Requirements – FHA Loans
- Borrower Access to Joint Funds – FHA Loans

Freddie Mac Revisions to Student Loan Debt

We are pleased to announce that we are aligning with Freddie Mac Bulletin 2017-23 regarding student loan debt effective immediately.

A. Student loans in repayment, use the greater of:
   - The monthly payment amount reported on the credit report, or
   - 0.5% of the original loan balance or the outstanding loan balance, as reported on the credit report, whichever is greater or
   - The fully amortized payment documented by the servicer

B. For student loans in deferment or forbearance, use the greater of:
   - The monthly payment amount reported on the credit report, or
   - 1% of the original loan balance or the outstanding balance, as reported on the credit report, whichever is greater

C. Student loan forgiveness, cancellation, discharge and employment-contingent repayment programs may be excluded from the monthly debt payment-to-income ratio provided the Mortgage file contains documentation that indicates the following:
   - The student loan has 10 or less monthly payments remaining until the full balance of the student loan is forgiven, canceled, discharged or in the case of an employment-contingent repayment program, paid, or
   - The monthly payment on a student loan is deferred or is in forbearance and the full balance of the student loan will be forgiven, canceled, discharged or in the case of an employment-contingent repayment program, paid, at the end of the deferment or forbearance period
   AND
   - The Borrower currently meets the requirements for the student loan forgiveness, cancellation, discharge or employment-contingent repayment program, as applicable, and the Seller is not aware of any circumstances that will make the Borrower ineligible in the future

Section 700: Underwriting/Credit Policy has been updated in our Correspondent Seller and HFA Division Lending Guides.

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FHA Loans: New Photo ID Requirements

In an effort to ensure compliance with federal Fair Lending regulations, U.S. Bank Home Mortgage continually monitors photo ID requirements. Please make note of the new update below specific to FHA loans:

For FHA loans, lenders may provide:
- Provide certification of reviewing borrowers required I.D., or
- Provide borrowers photo I.D. with closed loan file.

A sample Customer Identification Notice Form is referenced our Correspondent Seller Guide (Our Library > Section 1160: General > 1160.3: Customer Identification Program Notice (CIP) (03/15) as well as in the HFA Division Lending Guide > 400: Compliance > 400.9: Federal Compliance Disclosures.

Lenders may also use a similar form provided it contains the required elements.

FHA Loans: Borrower Access to Joint Funds

As a reminder regarding borrower access to joint funds for FHA loans, FHA outlines the following requirement (FHA 4000.1, d. Assets, iii Source of Funds A-3):

Required Documentation
If the borrower does not hold the deposit account solely, all non-borrower parties on the account must provide a written statement that the borrower has full access and use of the funds.

Questions

Correspondent Lenders: Please contact your Account Executive or the Client Support Area at 800.200.5881, option 1.

HFA Lenders: Please contact the Housing Finance Hotline at 800.562.5165, option 1 for an HFA Customer Care Specialist.

We appreciate your continued partnership.