

# **SFH Origination and Guaranteed Underwriting System News**

## **From the National Office in Washington DC**

### **Single Family Housing Origination and Guaranteed Underwriting System**

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**November 14, 2008**

#### **DEFERRED STUDENT LOANS AND DEBT RATIO CALCULATIONS**

For the USDA Rural Development Single Family Housing Guaranteed Loan Program, deferred student loans should be included in the debt ratio calculations for Guaranteed Loans regardless of the deferment period.

Rural Development RD Instruction 1980-D, section 1980.345(c)(1) states: *“Long term obligations include those obligations . . . with a remaining repayment period of more than 6 months and other shorter term debts that are considered to have a significant impact on repayment ability.”*

Deferred student loans are long term obligations with remaining repayment periods of more than 6 months, and they must be included as part of the applicant’s recurring monthly debt obligations. If the credit report does not reflect a monthly payment due at the end of the deferment period, the lender may request a copy of the applicant’s payment letter, or utilize the industry standard of estimating student loan payments as 1% of the loan balance. Therefore a deferred student loan balance of \$12,000 should have a corresponding monthly payment of \$120 if no estimated payment is verified by the lender.

This guidance applies to all manually underwritten loan files as well as loans submitted through the Guaranteed Underwriting System (GUS).

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