



Announcement 16-14

Date: April 22, 2016

Topic: FHA ML 2016-08 Student Loans

Previously, FHA required lenders to utilize 2% of the outstanding balance to establish the monthly student loan payment when the payment is zero or not available.

Effective immediately for FHA transactions, PennyMac is aligning with FHA's update and requires student loan payments to be calculated as either:

- 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 the loan over its term.
 - The lender must obtain written documentation of the actual monthly payment, the payment status, and evidence of the outstanding balance terms from the creditor.

Note: This new guidance may be implemented immediately but is mandatory for all loans with case numbers assigned on or after June 30, 2016. The new guidance is expected to be incorporated into the FHA Handbook 4000.1 in the June 30, 2016 update.

Please contact your Sales Representative with any questions.