



Debts With 10 Monthly Payments Or Less Remaining

Fannie

When there are 10 or less recurring monthly payments remaining on an installment debt and if the monthly payment doesn't significantly affect the borrower's ability to meet all obligations, Fannie will allow us to exclude the monthly payment. Note: When DU determines the monthly payment to be insignificant, it will automatically omit the debt from the ratios.

Freddie

When there are 10 or less monthly payments remaining on an installment debt and if the monthly payment doesn't significantly impact the borrower's ability to meet all expectations, Freddie will allow us to exclude the monthly payment. Note: When LPA determines the monthly payment to be insignificant, it will automatically omit the debt from the ratios.

FHA

Closed end debts which will be paid off within 10 months may be excluded as long as the cumulative payments of all such debts are less than or equal to 5% of the borrower's gross monthly income. The borrower may not pay down the balance(s) in order to meet the 10-month requirement.

USDA

Short term installment obligations, 10 months or less, may be excluded as long as the monthly payment doesn't have a significant impact on the borrower's repayment ability. A significant impact is defined as 5% or greater of the monthly repayment income of the borrower(s). Installment accounts may be paid down to a repayment balance of 10 months or less, however, we must include any debt considered to be a significant impact to the borrower's ability to repay the debt.

VA

Installment accounts with less than 10 months repayment remaining, may be omitted as long as the required payments aren't so large as to cause a severe impact on the family's resources for any period of time. This means, if the monthly payment is 2% or more of the borrower's monthly income, we will need to include the payment in the ratios. Installment accounts may be paid down to a repayment balance of 10 months or less.

Good to Know: *Lease payments are not considered as installment or closed end debts and must be included in the ratios regardless of the number of monthly payments remaining.*