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their lending guidelines to help more borrowers qualify for mortgages and to reduce student loan debt. The new Fannie Mae guidelines allow a borrower to qualify at a higher debt-to-income ratio, DTI, up to 50% from the previous 45% cap. When qualifying a borrower for mortgage payments, the bank's underwriter looks to see what the ratio is between the borrower's total monthly liabilities and compares that figure to the borrower's gross monthly income. The monthly liabilities include the mortgage payment and all other minimum monthly payments that show up on the borrower's credit report for credit cards and installment loans. The monthly mortgage payment includes the monthly principal and interest, property taxes, home owner's insurance, and HOA monthly dues, if applicable.

Gross income for a borrower who gets a W2 from the employer is based on the income showing on the paystubs and W2s. Gross income for a self-employed borrower is based on what is reported on the tax returns. That extra 5% bump on the DTI ratio can make a big difference for borrowers who are on the edge of qualifying. In the current, low inventory market with multiple offers on most properties for sale, this extra bump is much needed.

Fannie also recently introduced a new cash-out refinance program to help borrowers under student loan debt obligations. This new program offers a lower than market rate for cash-out refinances where the cash is used solely to pay off student loans. Here are the bullet points from Fannie Mae's website:

- **Student Loan Cash-Out Refinance:** Offers homeowners the flexibility to pay off high interest rate student debt while

potentially refinancing to a lower mortgage interest rate.

- **Debt Paid by Others:** Widens borrower eligibility to qualify for a home loan by excluding from the borrower's debt-to-income ratio non-mortgage debt, such as credit cards, auto loans, and student loans, paid by someone else.
- **Student Debt Payment Calculation:** Makes it more likely for borrowers with student debt to qualify for a loan by allowing lenders to accept student loan payment information on credit reports.

A cash-out refinance is where a borrower who owns a property refinances the existing first mortgage loan with a new loan where the principal balance is higher than the existing loan amount and the borrower takes some of the equity out of the home in the form of cash or paying off other debts through the closing. Normally, the interest rate for a cash-out refinance is higher than for a refinance where no equity is taken out at closing. With the new student loan program, the cash-out has to be used to pay off student loans only and cannot be combined with paying off other liabilities or putting additional cash into the borrower's pocket at closing.

Feel free to contact me for a *free consultation* if you want to know more about the new changes to Fannie Mae's products.
As always, your loan guy,
Viral (Vic) Joshi

P.S. If you want to get more timely market updates, I have a weekly newsletter that goes out via e-mail. E-mail me, **viral@vicjoshi.com**, so that I can put you on the mailing list.

Vic's
Mortgage Report

"Home of Free Mortgage Consultation"

Viral (Vic) Joshi
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Hello Friends,
August was a crazy month in the news, as we all know. The turmoil at home and globally did have a slightly

positive impact on mortgage rates with investors briefly sending money into the bond market. Even though stocks had a few rough days that helped the bond market and mortgage rates, we still saw the stock market rebound to new all-time high levels.

The combination of low inflation and political unrest may cause the Federal Reserve to pause on rate hikes in September. We were anticipating one more Fed rate hike this year of .25% to the Fed Funds interest rate in September or December. That may still happen, but it is no longer a guarantee thanks to all of the uncertainty coming from the White House. Rates continue to be within .5% of the historically low levels we last saw from June to September of last year.

Now is still a good time to refinance into a lower rate, into a shorter term, into a fixed rate mortgage, to take cash out for home improvement or debt consolidation, and to remove Private Mortgage Insurance, PMI. Fannie Mae recently started loosening

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