

# Product Support Bulletin

Information for Correspondent Lenders of SunTrust Mortgage, Inc.  
February 16, 2017 • COR17-005



Alert

Update

Reminder

Clarification

Training  
Information

Preview

## Section 8 (Housing Choice Voucher Program) Income

SunTrust Mortgage, Inc. provides guidelines to support Section 8 income, also referred to as Housing Choice Voucher Program, for all loan programs.

### Intended Audience

Origination Processing	Secondary Marketing	Underwriting	Closing Delivery Funding	Compliance Legal	Other
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### Effective Dates

**Thursday, February 16, 2017**  
Effective with new applications and existing pipeline loans on or after this date.

### Background Information

In an effort to improve guidelines and the lender experience, SunTrust Mortgage revised how Housing Choice Vouchers from Public Housing Agencies (PHAs) are treated in regards to income or offsetting the mortgage payment.

### Bulletin Details

#### Key Loan Program

In order for the Key Loan Program to support Section 8 income, SunTrust Mortgage updates guidance regarding public assistance, Section 8 and tax-exempt income types.

- Public assistance income guidance is as follows:
  - Verification requirements for public assistance income includes:
    - Document the borrower's receipt of public assistance income with letters or exhibits from the paying agency that state the amount, frequency, and duration of the benefit payments.
    - Verify that the income is expected to continue for a minimum of three years from the date of the mortgage application.
    - If the income is non-taxable, the lender can develop an adjusted gross income for the borrower.

### Action Required

**Origination, Processing, Underwriting, Closing, Delivery and Funding Starting February 16, 2017**  
Follow guidance outlined in this bulletin and related guideline documents.

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## Bulletin Details, continued

### Key Loan Program, continued

- Section 8 income guidance is as follows:
  - A monthly subsidy may be treated as income, if the borrower is receiving subsidies under the housing choice voucher ownership option from a Public Housing Agency (PHA).
    - If the borrower is receiving the subsidy directly, the amount received is treated as income. The amount received may also be treated as nontaxable income and be “grossed up” by 25%, which means that the amount of the subsidy, plus 25% of that subsidy may be added to the borrower’s income from employment and/or other sources.
  - SunTrust Mortgage may treat this subsidy as an “offset” to the monthly mortgage payment (that is, reduce the monthly mortgage payment by the amount of the home ownership assistance payment before dividing by the monthly income to determine the payment-to-income and debt-to-income ratios). The subsidy payment must not pass through the consumer’s hands. It must be paid directly to SunTrust Mortgage or placed in an account that only SunTrust Mortgage (the servicer) may access.
- Tax-exempt income guidance is as follows:
  - When using nontaxable income to adjust the borrower’s gross income, the lender should give special consideration to regular sources of income that may be nontaxable, such as child support payments, Social Security benefits, workers’ compensation benefits, certain types of public assistance payments, and food stamps.
  - The lender must verify that the particular source of income is nontaxable. Documentation that can be used for this verification includes award letters, policy agreements, account statements, or any other documents that address the nontaxable status of the income.
  - If the income is verified to be non-taxable, and the income and its tax-exempt status are likely to continue, the lender may develop an “adjusted gross income” for the borrower by using the tax rate used to calculate the borrower’s last year’s income tax. If the borrower is not required to file a Federal tax return, the tax rate to use is 25%.

### Agency Loan Programs

For Agency Non-Automated Underwriting System (non-AUS) and Desktop Underwriter® (DU) transactions utilizing a Housing Choice Voucher Program, SunTrust Mortgage removes the overlay requiring the borrower to receive the payments directly.

For Loan Product Advisor<sup>SM</sup> (LPA<sup>SM</sup>) transactions involving a Section 8 voucher program (LPA refers to this as Homeownership Voucher Program), the following guidance applies:

- History of receipt: A history of receipt is not required for the income to be considered stable
- Continuance: Homeownership Voucher Program assistance term limit must have a remaining term of at least three years
- Calculation: Use the fixed monthly payment amount documented by the public housing agency that issued the voucher. The payments may not be used to offset the monthly housing payment amount used for qualification.
- Streamlined Accept and Standard Documentation Requirements: Copy of documentation from the public housing agency that issued the homeownership voucher verifying the terms including, but not limited to, the source, benefit type, payment frequency, payment amount and duration of the term limit for assistance

### Federal Housing Administration (FHA) Loan Program

For FHA transactions, SunTrust Mortgage removes the overlay disallowing the Section 8 Homeownership Voucher payments to offset the borrower’s total monthly mortgage payment when received directly by the servicing lender.

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## Bulletin Details, continued

### Veterans Affairs (VA) Loan Program

For VA transactions, SunTrust Mortgage removes the overlay regarding government subsidies being an ineligible source of income.

### Special Requirements for Transactions Using Housing Voucher Payments

Housing Voucher payments delivered directly to the loan servicer (not to borrower) require special servicing handling. Contact Purchase Relations to ensure there are no client service failures.

### Revised Material

Click [Key Loan Program](#), [Agency Loan Programs](#), [FHA 203b Loan Program](#), [Veterans Administration \(VA\) Loan Program](#), [Correspondent Agency Overlay Matrix](#), [Correspondent Government Overlay Matrix](#), and [Correspondent Underwriting Submission Checklist \(COR 0005\)](#) to view the revised material.

## Former Guidelines

Previously, the Key Loan Program did not permit the use of public assistance and Section 8 income types. Additionally, tax-exempt guidance required a continuance of 3 years to be eligible. For Agency and FHA transactions involving Section 8 Housing Vouchers, the payments were required to be sent directly to the borrower. VA transactions did not permit the use of Section 8 Housing Vouchers as income.

## Other Resources

Support Group	Description and Contact Information:
Correspondent Relations Coordinator	Specific questions on applying this procedure to specific loan files. Direct contact information for each correspondent relations coordinator is located in General Section 1.01: The Correspondent Division
Product Support	Provides phone and email support on products, policies, and procedures as well as new product rollout and existing product enhancement. Contact Product Support at 800.382.2111, option 4.

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