

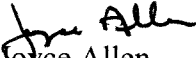


United States Department of Agriculture
Rural Development

TO: State Directors
Rural Development

DEC 14 2011

ATTN: Program Directors
Single Family Housing

FROM: 
Joyce Allen
Deputy Administrator
Single Family Housing

SUBJECT: Guidance on the Use of the Supplemental Nutrition Assistance
Program Income for Single Family Housing Direct Loans

This unnumbered letter enhances existing guidance regarding the use of the Supplemental Nutrition Assistance Program (SNAP) income (formerly known as the Food Stamp Program) to calculate repayment income for Single Family Housing Direct (SFHD) loans.

The revisions to the Handbook 1-3550 (Handbook) issued in Procedure Notice (PN) 451, dated September 1, 2011, excludes special-purpose payments income from being used to calculate annual and repayment income to make eligibility and qualification determinations for SFHD loan applications. Since these payments are intended to defray specific expenses, and would be discontinued if not spent solely for those expenses, the entirety of this income cannot be deemed as stable and dependable for mortgage qualification purposes.

Since PN 451 was issued, there have been concerns raised regarding the adverse impact this new policy could have on certain applicants who need to have their SNAP benefits considered as repayment income in order to qualify for a SFHD loan.

SNAP benefits do help equalize the percent of income a qualified household spends on food in comparison to households who do not need or qualify for SNAP benefits. This equalization essentially enhances a SNAP recipient's repayment ability for a SFHD loan. To acknowledge this while avoiding the past problem of having a substantial portion of an applicant's repayment income consist of SNAP benefits, Field Staff may consider the value of the applicant's SNAP benefits to calculate repayment income in an amount not to exceed 20 percent of the total repayment income effective immediately.

EXPIRATION DATE:
November 30, 2012

FILING INSTRUCTIONS:
Housing Programs

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The 20 percent referenced above was derived from a 2005 Consumer Expenditure survey from the Bureau of Labor Statistics that indicates that households with annual, pre-tax incomes under \$20,000 spend approximately 20 percent of their income on food.

Only the SNAP benefits attributable to the note signers can be considered for repayment income and *only the lesser of the “not to exceed” figure or the actual SNAP benefits can be included in the applicant’s repayment income.*

Below are examples on how to include SNAP benefits in repayment income.

Example 1: The “not to exceed” amount is higher than the actual SNAP benefits received.

Step 1	Establish the amount of monthly SNAP benefits received by the applicant.	Applicant’s monthly SNAP benefits	\$200
Step 2	Calculate the repayment income (received by the note signers) excluding the SNAP benefits.	Monthly repayment income before SNAP consideration	\$1,000
Step 3	Equalize the repayment income using the standard assumption that a household spends 20% of their income on food. This repayment income is equivalent to the monthly income for households that do not receive SNAP benefits.	First step to calculate the “not exceed 20 percent of the total repayment income” Income Equalization: Repayment income / .80	$(\$1,000 / .80) =$ \$1,250
Step 4	Determine the maximum amount of monthly SNAP benefits that may be included in the repayment income.	Calculation for the “not exceed 20 percent of the total repayment income”	$\$1,250 - \$1,000 =$ \$250
Step 5	Compare the actual SNAP benefits received with the “not to exceed 20% of the total repayment income” calculation.	Calculation for “the lesser of the “not to exceed” figure or the actual SNAP benefits”	Actual SNAP Benefits: \$200 “Not to exceed” amount: \$250
Step 6	Add the repayment income from Step 2 and the lesser of the calculation in Step 5.	Monthly repayment income after SNAP consideration.	$(\$1,000 + \$200) =$ \$1,200

Example 2: The “not to exceed” is lower than the SNAP benefits received.

Step 1	Establish the amount of monthly SNAP benefits received by the applicant.	Applicant’s monthly SNAP benefits	\$550
Step 2	Calculate the repayment income (received by the note signers) excluding the SNAP benefits.	Monthly repayment income before SNAP consideration	\$2,000
Step 3	Equalize the repayment income using the standard assumption that a household spends 20% of their income on food. This repayment income is equivalent to the monthly income for household that do not receive SNAP benefits.	First step to calculate the “not exceed 20 percent of the total repayment income” Income Equalization: Repayment income / .80	$(\$2,000 / .80) =$ $\$2,500 - \$2,000 =$ $\$500$
Step 4	Determine the maximum amount of monthly SNAP benefits that may be included in the repayment income.	Calculation for the “not exceed 20 percent of the total repayment income”	$\$2,500 - \$2,000 =$ $\$500$
Step 5	Compare the actual SNAP benefits received with the “not to exceed 20% of the total repayment income calculation” calculation.	Calculation for “the lesser of the “not to exceed” figure or the actual SNAP benefits”	Actual SNAP Benefits: \$550 Not to exceed amount: \$500
Step 6	Add the actual repayment income from Step 2 and the lesser of the calculation in Step 5.	Monthly repayment income after SNAP consideration	\$2,500

Be sure to thoroughly document this consideration and calculation in the running record. In UniFi, **do not** enter the allowable SNAP benefit amount in the non-taxable income field in the Income Worksheet screen.

Field Staff may recalculate an applicant's repayment income to include the allowable portion of the SNAP benefits and reissue the Certificate of Eligibility (COE) if appropriate. However, the expiration date of the COE should remain unchanged. This guidance also applies to COE extensions.

To determine repayment ability for 504 loan applicants, only the food cost over and above the SNAP benefits should be reflected on *Form RD 1944-3, "Budget and/or Financial Statement"*, as a food expense. For example, if the monthly SNAP benefit is \$300 and the actual food expense is \$400 per month, only \$100 is considered food expense for budget purposes.

The Agency believes that by enhancing the guidance on SNAP income, we promote long-term homeownership in the communities we serve while protecting the government's investment.

Questions about this unnumbered letter may be directed to Migdaliz Bernier of the Single Family Housing Direct Loan Division at (202) 690-3833, or migdaliz.bernier@wdc.usda.gov.

Sent by Electronic Mail on 12/14/11 at 2:45 pm Single Family Housing Direct Loan Division. The State Director should advise other personnel as appropriate.