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Agency Guideline Revisions

Truist Bank (Truist) revises Agency Loan Product Advisor[®] (LPA[®]) guidelines to align with recently announced Freddie Mac updates. With these updates we:

- revise and/or clarify requirements for evaluating a borrower's monthly obligations related to the following:
 - o rental housing payments
 - o documenting liabilities
 - o loans secured by the borrower's assets other than real property
 - o allowable age of documentation used to support excluding contingent liabilities from the DTI ratio
 - o estimated real estate taxes
- revise appraisal guidelines related to:
 - o building sketch requirements
 - o subsequent appraisals

Additionally, in support of our guideline improvement initiative, we refresh "Appraisal Report Forms and Exhibits" requirements for all underwriting methods.

Effective Dates

All updates are effective immediately for new loan applications on or after September 25, 2020.

Background Information

Freddie Mac Bulletin 2020-31 announced updates impacting monthly obligations and appraisal requirements. In response to this publication, we reviewed impacted guidelines and identified the opportunity to implement revisions to LPA guidelines to align with Freddie Mac requirements.

In support of our guideline improvement initiative, we identified the opportunity to update our appraisal report forms and exhibits requirements (for all underwriting methods) to align with the Agencies' language/or and presentation of guidance.

Bulletin Details

Rental Housing Payments

For LPA loans, we revise rental housing payment guidelines as follows:

- For mortgages with a non-occupying borrower and mortgages secured by second homes and investment properties, when the borrower does not own, but rents their principal domicile (i.e., the primary residential property physically occupied by the borrower), the monthly rental housing payment for that principal domicile must be included in the calculation of the monthly housing expense-to-income ratio
- The rental housing payment included in the monthly housing expense-to-income ratio must be documented as follows:
 - o Direct verification of rent from a management company, or
 - o Direct verification of rent from an individual landlord (supported by two months of canceled checks or other evidence of two months' payments), or
 - o A copy of the current, fully-executed lease agreement (supported by two months of canceled checks or other evidence of two months' payments), or
 - o Six months of canceled checks or bank statements supporting consistent payments in the amount used in qualifying

Reminder: Due to temporary COVID-19 related restrictions (previously announced in [COR20-015](#)), Agency investment property transactions are currently not permitted.

Bulletin Details, continued

Documenting Liabilities

To ensure accurate payment amounts are included in the monthly DTI ratio, we revise LPA guidelines to require:

- Documentation of all payment amounts included in the monthly DTI ratio
- The monthly amount of child support, alimony and separate maintenance payments be documented with a copy of the signed court order, legally binding separation agreement and/or final divorce decree, or equivalent documentation
- Documentation of the remaining term for installment loans, child support, alimony and maintenance payments omitted from the DTI ratio if there are 10 or fewer months of payments remaining

Loans Secured by the Borrower's Assets Other than Real Property

For LPA loans, we revise the documentation requirements for proceeds from a loan secured by a borrower's asset other than real property (e.g., 401(k), artwork, jewelry, etc.) by:

- Removing the requirement for documentation of the loan terms; as with all other liabilities, the monthly payment included in the DTI ratio must be documented in the mortgage file in accordance with the updated requirements outlined above
- Requiring documentation supporting that the loan is secured by the asset (which is in addition to documentation verifying the value and ownership of that same asset)
- Adding a reference to the "Loans Secured by Financial Assets" subtopic for guidance related to when the monthly payment on a loan secured by the borrower's financial asset may be excluded from the monthly DTI ratio

Note: Freddie Mac plans to update LPA messaging by November 5, 2020 to reflect this change.

Allowable Age of Documentation Used to Support Excluding Contingent Liabilities from the DTI Ratio

We clarify LPA contingent liability guidelines to state that the documentation used to exclude the liability must meet standard LPA age of documentation requirements.

Estimated Real Estate Taxes

For LPA loans, we clarify that the use of estimated real estate taxes based on the value of the improvements plus the value of the land to calculate the monthly housing expense-to-income ratio applies only to newly constructed properties when the actual real estate tax amount is not yet available.

Building Sketch Exhibit for Appraisal Reports

For LPA loans:

- We simplify building sketch requirements for appraisal reports
- When the subject property has a floor plan that is unusual or is functionally obsolete, the appraiser is required to provide a floor plan sketch that reflects the obsolescence. Comments and/or adjustments, if applicable, are also required within the appraisal report addressing any limitations to market appeal in comparison with other properties within the subject's neighborhood or market area.

Subsequent Appraisals

For LPA loans, we revise guidelines to:

- Acknowledge the use of a desk review (Form 1033, *One-Unit Residential Appraisal Desk Review Report*) as an acceptable subsequent opinion of market value
- Provide direction on documentation requirements when lenders obtain multiple opinions of value; if an appraisal desk or field review is used to underwrite the mortgage, it must be retained in the mortgage file

Product Release

Information for Correspondent Lenders of Truist Bank
September 25, 2020 • COR20-045



Bulletin Details, continued

Other Guideline Improvement Updates

In addition to the updates previously outlined in this communication, we refresh all remaining Agency “Appraisal Report Forms and Exhibits” guidance (for all underwriting methods) to more closely align with Fannie Mae and Freddie Mac’s language/or and presentation of guidance. Additionally, we relocate this guidance in its entirety from Section 1.07 Appraisal Guidelines to Section 2.01 Agency Loan Programs. Currently published “Appraisal Report Forms and Exhibits” guidance remains in Section 1.07 Appraisal Guidelines for **Non-Agency** loan programs.

Reminder: Due to temporary COVID-19 related restrictions (previously announced in [COR20-015](#)), Agency 2-4 unit transactions are currently not permitted.

Before and After Matrix

[Click here](#) to see the before and after matrix that provides a detailed overview of all guideline updates.

Revised Materials

Click [Appraisal Guidelines](#) and [Agency Loan Programs](#) to review the revised product materials.

Former Guidelines

See the before and after matrix provided in the Bulletin Details section of this bulletin to access the former guidelines.

Other Resources

Support Group	Description and Contact Information:
Correspondent Relations Coordinator	Specific questions on applying this procedure to specific loan files. Contact Correspondent Relations Coordinators at 800.382.2111, Option 1.
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 3.

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