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Agency Accessory Dwelling Unit, Appraisal, and Other Guideline Revisions

Truist Bank (Truist) revises Agency Loan Product Advisor[®] (LPA[®]) guidelines to more closely align with recently announced Freddie Mac updates. With these updates, we revise and/or clarify guidelines related to the following:

- properties with an accessory dwelling unit
- analyzing market trends when reporting one-unit housing trends
- right of first refusal time period requirements for mortgages secured by properties subject to resale restrictions
- cash-out refinance leasehold mortgages
- CHOICERenovation[®] Mortgages
- social security income that is tax exempt
- wedding gift funds

We also revise and/or clarify Agency non-AUS and Desktop Underwriter[®] (DU[®]) guidelines to more closely align with recently announced Fannie Mae updates related to the following:

- properties with an accessory dwelling unit
- transaction eligibility for co-signers, guarantors, and non-occupant borrowers

Effective Dates

All updates are effective immediately for new loan applications on or after November 20, 2020.

Background Information

Fannie Mae SEL-2020-05 and Freddie Mac Bulletins 2020-36 and 2020-38 announced updates impacting various guideline requirements. In response to these publications, we reviewed impacted guidelines and identified the opportunity to implement revisions to more closely align with Fannie Mae and Freddie Mac requirements

Bulletin Details

Properties With an Accessory Dwelling Unit (ADU)

We revise guidelines for mortgages secured by properties with an ADU as follows:

- For non-AUS, DU, and LPA loans, we specify that a manufactured home is **not** permitted as an ADU for a one-unit property; this is an overlay

Note: Manufactured homes (primary dwelling units) are currently not eligible, which is an overlay. With this update, we expand our current manufactured home overlay to also include a manufactured home ADU. *This manufactured home ADU ineligibility restriction also applies to CorrAdvantage loans.*

- For non-AUS and DU loans, we:
 - expand the definition of an ADU to specify that an ADU must have basic requirements for living and sleeping, in addition to cooking and bathroom facilities
 - clarify that the ADU must be subordinate in size to the primary dwelling
 - permit an aged settled sale as a comparable sale, and an active listing or under contract sale as a supplemental exhibit to show marketability
- For LPA loans, we clarify that:
 - a one-unit property with one accessory dwelling unit is permitted
 - the ADU must be subordinate in living area and contribute less to the value of the property than the primary dwelling unit

Bulletin Details, continued

Appraisal Requirements

For LPA loans, we:

- Revise requirements for analyzing market conditions when reporting one-unit housing trends in the Neighborhood section of the appraisal report:
 - Appraisers must analyze contract sales and listings, in addition to closed sales, to determine the trend of property values and marketing times in the subject market area. Market conditions must always be analyzed to determine their impact on the market value of the subject property. This is especially important in markets where property values are increasing or declining. The appraiser's analysis will support the use of positive or negative time adjustments in the sales comparison approach and reflect the changing market conditions.
- Relocate certain appraisal related guidance to more closely align with Freddie Mac's language and/or presentation of guidance (guideline intent remains the same)

Properties Subject to Resale Restrictions

For LPA mortgages secured by properties subject to resale restrictions, we extend the right of first refusal time period requirements. When a mortgage secured by a resale-restricted property is in foreclosure and/or subject to an approved short sale, the right of first refusal must have a time period not exceeding 120 days from the date of written notice to the parties to which the notice runs. *(Previously, this time period could not be longer than 90 days.)*

Cash-Out Refinance Leasehold Mortgages

For LPA loans, we clarify cash-out refinance guidelines to state that for cases in which the property is a leasehold estate, at least one borrower must have been lessee on the ground lease or lease agreement of the subject leasehold estate for at least six months.

CHOICERenovation Mortgages

For LPA CHOICERenovation mortgages, we revise guidelines to:

- reflect that a CHOICERenovation mortgage secured by a property previously owned free and clear by the borrower is considered a "no cash-out" refinance mortgage if the mortgage proceeds are used to finance only eligible renovations; in these instances, at least one borrower must have been on the title to the subject property for at least six months prior to the note date, unless one of the exceptions to this title requirement applies (see the revised guidelines for additional details)
- clarify the renovations that may be financed with a CHOICERenovation Mortgage are not limited to renovations made to an existing dwelling, but rather, to a property with an existing dwelling

Social Security Income that is Tax Exempt

For LPA loans, we revise tax exempt income guidelines to permit 15% of the borrower's social security income (i.e., retirement income, disability benefits, survivor benefits and Supplemental Security Income) to be grossed up without obtaining documentation validating that the portion of the social security income is tax exempt. We provide a specific example of how to apply this updated guidance in the revised guidelines.

Note: Existing documentation requirements continue to apply when using more than 15% of the borrower's social security income for qualifying.

Wedding Gift Funds

For LPA loans, we revise guidelines to reflect that gift funds received as a wedding gift (from unrelated and/or related persons) must be on deposit in the borrower's depository account within 90 days of the date of the marriage license or certificate. *(Previously, the timeframe was within 60 days of the date of the marriage license or certificate.)*

Product Release

Information for Correspondent Lenders of Truist Bank
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Bulletin Details, continued

Co-Signers, Guarantors, and Non-Occupant Borrowers

For non-AUS and DU loans, we add a note clarifying that co-signers, guarantors, and non-occupant borrowers are permitted on purchase, limited cash-out, and cash-out refinance transactions.

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](#), [Agency Loan Programs](#), [Fannie Mae HomeReady®](#) and [Freddie Mac Home Possible® Mortgages](#), [CorrAdvantage](#), and [Correspondent Agency Overlay Matrix](#) 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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