

Alert

Update

Reminder

Clarification

Training
Information

Preview

Agency Condominium and Other Guideline Revisions

Truist Bank (Truist) revises Agency non-AUS and Desktop Underwriter® (DU®) guidelines to align with recently announced Fannie Mae updates. With these updates we:

- revise condominium project standards requirements related to condotel ineligibility, pre-litigation activities, recreational leases, and mandatory memberships
- clarify guidelines related to the following:
 - cash-out refinance vesting requirements when there are multiple borrowers on a loan
 - use of gifts of equity

We also remove all references to Agency London Interbank Offered Rate (LIBOR) ARM products from our product guideline documents.

Effective Dates

- All condominium guideline updates are effective for new loan applications on or after December 7, 2020.
- All cash-out refinance and gifts of equity updates are effective immediately for existing and new loan applications on or after December 4, 2020.
- All Agency LIBOR ARM products retired September 30, 2020.

Background Information

Fannie Mae SEL-2020-06 announced updates impacting condominium project standards, cash-out refinance, and gifts of equity guideline requirements. In response to this publication, we reviewed impacted guidelines and identified the opportunity to implement revisions to align with Fannie Mae requirements. Additionally, in response to the completion of our pipeline of Agency LIBOR ARM loans, we identified and removed all Agency LIBOR ARM product guideline references.

Bulletin Details

Condominium Guideline Updates

For non-AUS and DU loans, we:

- add some supplemental requirements to the “Ineligible Project Characteristics” criteria related to identifying condotels, including projects that are transient in nature, offer hotel-type services, voluntary rental pooling, or sharing of revenue from short-term rentals and related activities
- add language describing common condotel “red flags”
- clarify guidelines to state that Fannie Mae’s standard policies concerning litigation apply when the project is engaged in pre-litigation activities
 - It is increasingly common that state statutes require conflicting parties to enter mediation or arbitration prior to litigation to avoid the expenses and time associated with formal legal proceedings. If a project is engaging in pre-litigation activities (such as, but not limited to, arbitration or mediation) that are reasonably expected to proceed to formal litigation, Fannie Mae’s standard policies concerning litigation must be applied. Whether the legal action is resolved through arbitration, mediation, or it proceeds to litigation, there is risk that the project is exposed to material financial hardship related to the matters addressed in the complaint.
- revise guidelines to state that the following are **not** eligible:
 - loans securing units in condo projects with mandatory memberships that require the HOA members to pay dues to a third-party organization (such as a golf course or other recreational facility)
 - projects subject to recreational leases

Note: A list of “red flags” to help determine when projects may be subject to these arrangements have been added to the revised guidelines.

Product Release

Information for Correspondent Lenders of Truist Bank
December 4, 2020 • COR20-059



Bulletin Details, continued

Cash-Out Refinance Transaction Vesting Requirements

For non-AUS and DU loans, we clarify cash-out refinance transaction vesting requirements when there are multiple borrowers on a loan. Previously, guidelines stated that “the property must have been purchased (or acquired) by the borrower for at least six months prior to the disbursement date of the new mortgage”, and it lists some exceptions. With today’s update, we clarify that this requirement applies to “at least one borrower” on the loan to address situations where there is more than one borrower.

Gifts of Equity

For non-AUS and DU loans, we clarify guidelines to state that gifts of equity may be used to fund all or part of the down payment and closing costs (including prepaid items), but may not be used towards financial reserves.

Agency LIBOR ARMs Retirement

Due to the retirement of Agency LIBOR ARMs (previously announced in Product Release [COR20-033](#)) and the completion of our Agency LIBOR ARM pipeline, we remove all references to Agency LIBOR ARMs from our product guideline documents. Agency LIBOR ARM references will be removed from LendingSpace in the near future.

Before and After Matrices

- [Click here](#) to see the before and after matrix that provides a detailed overview of all condominium guideline updates.
- [Click here](#) to see the before and after matrix that provides a detailed overview of all cash-out refinance and gifts of equity guideline updates.

Revised Materials

Click [Automated Underwriting](#), [Condominium and PUD Approval Requirements](#), [Agency Loan Programs](#), [Fannie Mae HomeReady®](#) and [Freddie Mac Home Possible® Mortgages](#), [Texas Section 50\(a\)\(6\) Mortgages](#), and [Correspondent Agency Overlay Matrix](#) to review the revised product materials.

Former Guidelines

See the before and after matrices 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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