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Agency Revisions: Refinance Seasoning, Credit Card Reward Points & DU Risk Factors

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

- revise the seasoning requirement for refinance mortgages being paid off using the proceeds of a limited cash-out refinance transaction
- add credit card reward points as eligible assets for down payment, closing costs, and reserves, when converted to cash
- add reference to the condominium property type as a factor in the DU risk assessment

We also clarify Agency Loan Product Advisor® (LPASM) guidelines to state that credit card reward points are eligible assets for down payment, closing costs, and reserves, when converted to cash.

Effective Dates

- The limited cash-out refinance seasoning requirement update is effective for new loan applications on or after October 1, 2021.
- All remaining updates are effective immediately for existing and new loan applications on or after October 1, 2021.

Background Information

Fannie Mae SEL-2021-07 announced updates regarding prohibited refinancing practices, credit card reward points, and risk factors in DU. In response to this publication, we reviewed impacted guidelines and identified the opportunity to implement revisions to more closely align with Fannie Mae requirements.

Additionally, to promote guideline consistency, we confirmed Freddie Mac's position on the use of credit card reward points as eligible assets and took the opportunity to clarify LPA guidelines to include this guidance.

Bulletin Details

Limited Cash-Out Refinance Seasoning Requirement

For non-AUS and DU loans, we revise the seasoning requirement for refinance mortgages being paid off using the proceeds of a limited cash-out refinance transaction. The refinance mortgage being paid off must have a note date **greater than 30 days prior to the application date** of the new limited cash-out refinance transaction.

Note: *The revised seasoning timeframe (based on application date) aligns with Fannie Mae's requirement for non-AUS and DU loans. Truist maintains an overlay (for best execution purposes) by applying this seasoning requirement to an existing first mortgage (being paid off using the proceeds of a limited cash-out refinance transaction) that was originated as a limited-cash out refinance.*

Credit Card Reward Points

We align with Fannie Mae and Freddie Mac by updating non-AUS, DU, and LPA guidelines to allow for the use of credit card reward points as eligible assets for down payment, closing costs, and reserves, provided they are converted to cash prior to the closing of the loan. If the funds are deposited into the borrower's depository account and the deposit is considered a large deposit, documentation must show the source of the large deposit was from the conversion of credit card reward points.

Product Release



Information for Correspondent Lenders of Truist Bank
October 1, 2021 • COR21-053

Bulletin Details, continued

Risk Factors Evaluated by DU

When DU Version 11.0 was implemented in March 2021, the “condominium” property type was added as a factor in the DU Risk assessment. We align with Fannie Mae and update our guidelines to reflect this existing factor that DU considers in its risk analysis.

Before and After Matrices

- [Click here](#) to see the before and after matrix that provides a detailed overview of the limited cash-out refinance seasoning requirement update.
- [Click here](#) to see the before and after matrix that provides a detailed overview of the credit card reward points and DU risk factors updates.

Revised Materials

Click [Agency Loan Programs](#) 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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