

# Product Release

Information for Correspondent Lenders of Truist Bank  
May 13, 2022 • COR22-019



Alert

Update

Reminder

Clarification

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Preview

## Agency Single-Close CP and Community Seconds 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 and/or clarify single-closing construction-to-permanent transaction guidelines related to the following topics:
  - age of credit documentation
  - appraisal documentation
  - re-underwriting tolerances
  - requalification of the borrower
  - DU Validation Service
- update Community Seconds® guidelines

### Effective Dates

- The updates related to single-close construction-to-permanent transactions are effective for single-close transactions where the note date of the construction loan is on or after June 1, 2022.
- The community seconds guideline updates are effective for new loan applications on or after May 13, 2022.

### Background Information

Fannie Mae SEL-2022-02 announced updated requirements related to single-close construction-to-permanent and community seconds transactions. In response to this publication, we reviewed impacted guidelines and identified the need to implement revisions to align with Fannie Mae requirements.

### Bulletin Details

#### Single-Close Construction-to-Permanent Transactions

For non-AUS and DU single-close construction-to-permanent transactions, we align with Fannie Mae and revise and/or clarify guidelines to address the credit and valuation risks associated with these transactions. The updates cover the topics outlined in the table below.

Topic	Updates
Age of Credit Documentation	<ul style="list-style-type: none"><li>• For non-AUS and DU loans, we:<ul style="list-style-type: none"><li>• clarify that all credit documents must be no more than four months old on the note date (<i>that is, the closing date of the construction loan</i>)</li><li>• clarify that income, employment, and credit report documents must be no more than four months old at the time of conversion to permanent financing (<i>see exception below for DU loans only</i>)</li><li>• require updated asset documentation at the time of conversion to permanent financing only in the following circumstances:<ul style="list-style-type: none"><li>• more reserves are required than were required at the time of original qualification<ul style="list-style-type: none"><li>• the full amount of reserves must then be reverified, or</li></ul></li><li>• the borrower chooses to bring additional funds to the transaction<ul style="list-style-type: none"><li>• the additional funds must come from an eligible source and be documented.</li></ul></li></ul></li></ul></li><li>• For DU loans only, we revise guidelines to allow income, employment, and credit report documents to be more than four months, but not exceeding 12 months old, at the time of conversion if certain eligibility parameters are met. See the revised guidelines for additional details.</li></ul> <p><b>Note:</b> With this update, the maximum age of income, employment, and credit report documents was <b>reduced</b> from 18 months to 12 months at the time of conversion if certain eligibility parameters are met.</p>

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## Bulletin Details, continued

### Single-Close Construction-to-Permanent Transactions, continued

Topic	Updates
Appraisal Documentation	For non-AUS and DU loans: <ul style="list-style-type: none"><li>the effective date of the appraisal must be no more than four months prior to the note date (<i>that is, the closing date of the construction loan</i>)</li><li>a full <i>Appraisal Update and/or Completion Report</i> (Form 1004D) is required at the time of completion of construction</li><li>a new appraisal must be obtained if the value of the property has declined at the time of construction completion</li></ul>
Re-Underwriting Tolerances	We revise non-AUS guidelines to state that re-underwriting tolerances may be applied if the interest rate or loan amount was modified ( <i>previously non-AUS guidelines only referenced interest rate</i> )
Requalification of the Borrower(s)	For non-AUS and DU loans, requalification of the borrower(s) is required at the time of conversion to permanent financing if: <ul style="list-style-type: none"><li>the LTV ratio increased due to a decline in property value,</li><li>updated credit documents were obtained, or</li><li>as otherwise required per the modified loan term requirements</li></ul>
DU Validation Service	We clarify the age of documentation requirements on loans with income, employment, or assets validated through the DU validation service as follows: <ul style="list-style-type: none"><li>If updated credit documents are required to be obtained after the original closing of the construction loan, any validation of income, employment, or assets is no longer applicable. Updated validation reports must be obtained and the loan casefile resubmitted to DU and the loan must convert to permanent financing by the Close By Date stated in the DU validation message in order for validation and the associated waiver of enforcement relief of representations and warranties to apply.</li></ul>

#### Reminders:

- Non-delegated lenders are not eligible to sell Truist single-close construction-to-permanent transactions under any Agency program.
- Agency single-close construction-to-permanent transactions are ineligible for delivery under the CorrAdvantage execution.

#### Community Seconds

For non-AUS and DU loans, we align with Fannie Mae by:

- clarifying that the interest rate for the Community Seconds loan must be fixed
- eliminating the more restrictive interest rate requirement that applied to a Community Seconds loan with negative amortization; with today's update, the standard restriction that the interest rate for the Community Seconds loan may not be more than 2% (or 200 basis points) higher than the initial note rate of the first mortgage now applies
- adding a requirement that the amount of scheduled monthly interest deferred on the Community Seconds mortgage for any full calendar month within the initial five years (of the Community Seconds loan) may never exceed the scheduled monthly principal payment of the first mortgage for that month (*an example is provided in the revised guidelines*)

#### Before and After Matrix

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

#### Revised Material

Click [Agency Loan Programs](#) to review the revised product material.

#### Former Guidelines

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

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## 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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