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## Agency SCIF Requirement, Cash-Out Refinance Seasoning, Military Owner Occupancy, Affordable Seconds, and Other Revisions

Truist Bank (Truist) revises Agency non-AUS, Desktop Underwriter® (DU®), and Loan Product Advisor® (LPA<sup>SM</sup>) requirements to align with previously announced Fannie Mae and Freddie Mac updates. With these updates we:

- require a copy of Form 1103, *Supplemental Consumer Information Form (SCIF)* to be maintained in all Agency loan files, for all underwriting methods
- for non-AUS and DU loans:
  - implement a 12-month seasoning requirement for an existing first mortgage being paid off with the proceeds of a cash-out refinance transaction
  - update the definition of a primary residence to include military service members on active duty
  - expand the list of exceptions to home energy report requirements to include ENERGY STAR-certified improvements for HomeStyle® Energy and HomeStyle® Renovation loans
  - incorporate reference to the Social Security Administration's new service for validating social security numbers – the Electronic Consent Based Social Security Number Verification (eCBSV) Service
  - revise gift letter requirements
  - simplify documentation requirements when business assets are used for non-self-employed loans
  - clarify required documentation when a borrower has filed a tax return extension with the IRS
  - clarify requirements when temporary leave income is employer-initiated
  - expand allowable comparable sales when the subject property is one of the first sales in a new or recently converted project, subdivision, or PUD containing 2 to 20 properties
- for DU loans, allow the use of a desktop appraisal or an appraisal waiver for deed-restricted properties that do **not** contain resale restrictions based on price
- for LPA loans:
  - provide overlay relief by allowing an Affordable Second to be funded by a non-profit not affiliated with a government agency (*for mortgages secured by properties subject to income-based resale restrictions*)
  - provide additional guidance related to:
    - financing real estate taxes in a “no cash-out” refinance transaction
    - the documentation of the source of funds used to pay off or pay down debts

We also refresh various other subtopics to incorporate previously published updates and remove outdated form references.

## Effective Dates

- The non-AUS and DU cash-out refinance seasoning requirement is effective for new loan applications on or after February 24, 2023. *Existing loan applications in the pipeline that do not comply with this requirement must close on or before March 31, 2023.*
- The SCIF requirement is effective for all Agency loans with application dates on or after March 1, 2023.
- All other updates and clarifications are effective immediately for existing and new loan applications on or after February 24, 2023.

## Background Information

Fannie Mae SEL-2021-11, 2022-10, and 2023-01 and Freddie Mac Bulletins 2021-36, 2022-10, and 2022-15 announced updates impacting several Agency non-AUS, DU, and LPA requirements. In response to these publications, we reviewed impacted standard documents and identified the need and/or opportunity to implement revisions to align with Fannie Mae and Freddie Mac requirements. We also continue to identify opportunities to promote clarity and consistency in our published Agency requirements.

## Bulletin Details

### Agency Updates

Highlights of the Agency updates are outlined in the table below.

Topic	Update
Form 1103, <i>Supplemental Consumer Information Form</i>	<p>At the direction of the Federal Housing Finance Agency (FHFA), Fannie Mae and Freddie Mac are requiring a copy of Form 1103, <i>Supplemental Consumer Information Form (SCIF)</i> to be maintained in the loan file for <b>all</b> Agency loans with application dates on or after March 1, 2023. We updated the applicable Agency standard documents to reflect this requirement for all underwriting methods.</p> <p>The SCIF captures information about the homeownership education or housing counseling program completed by the borrower along with the borrower's language preference.</p> <ul style="list-style-type: none"> <li>• <b>Homeownership Education and Housing Counseling:</b> This section of the SCIF must be completed if homeownership education and/or housing counseling is required by the loan program or product for which the borrower has applied.</li> <li>• <b>Language Preferences:</b> The lender must present the SCIF to the borrower to provide a preferred language. The borrower is not required to select any of the language options in the "Language Preference" section and may leave this section blank. As a result, there may be instances where the SCIF in the mortgage file only includes the loan identifier information and the borrower's name.</li> </ul>
Cash-Out Refinance Seasoning Requirement	<p>For non-AUS and DU loans, if an existing first mortgage is being paid off with the proceeds of a cash-out refinance transaction, it must be at least 12 months old at the time of refinance, as measured by the note date of the existing loan to the note date of the new loan. This requirement does not apply:</p> <ul style="list-style-type: none"> <li>• to any existing subordinate liens being paid off through the transaction, or</li> <li>• when buying out a co-owner pursuant to a legal agreement.</li> </ul> <p><b>Notes:</b></p> <ul style="list-style-type: none"> <li>• This change is in addition to the existing requirement that at least one borrower be on title to the subject property for at least six months prior to the disbursement date of the new loan, unless subject to one of the permitted ownership exceptions.</li> </ul>

## Bulletin Details, continued

### Agency Updates, continued

Topic	Update
Cash-Out Refinance Seasoning Requirement, continued	<p><b>Notes, continued:</b></p> <ul style="list-style-type: none"> <li>The DU message issued on cash-out refinance loan casefiles will be updated in a future release to reflect this updated requirement.</li> </ul>
Military Owner Occupancy	<p>For non-AUS and DU loans, the definition of a primary residence now includes a loan for a borrower who is a military service member currently on active duty and temporarily unable to occupy the home due to military service.</p> <ul style="list-style-type: none"> <li>The temporary absence from the subject property must be verified by obtaining a copy of the borrower's military orders. The orders must evidence the borrower will be absent from the subject property as of the date the owner occupancy must be established as required by the security instrument.</li> <li>Use <b>Special Feature Code (SFC) 754</b> to identify loans that meet these requirements.</li> </ul>
ENERGY STAR-Certified Improvements	<p>For non-AUS and DU HomeStyle Energy and HomeStyle Renovation loans, lenders are no longer required to obtain an energy report for permanently affixed improvements identified on the <a href="#">EPA ENERGY STAR-certified product list</a>. Instead, lenders are only required to verify, and retain documentation in the loan file, that an improvement is on the <a href="#">EPA ENERGY STAR-certified product list</a>. Use <b>SFCs 773 and 375</b> to identify a HomeStyle Energy or HomeStyle Renovation loan that includes financing of one or more ENERGY STAR certified improvements.</p>
Electronic Consent Based Social Security Number Verification	<p>The Social Security Administration introduced a new service for validating social security numbers – the Electronic Consent Based Social Security Number Verification (eCBSV) Service. We added this new service as an additional permitted method to validate a borrower's social security number for non-AUS and DU loans.</p>
Gift Letters	<p>For non-AUS and DU loans, we updated gift letter requirements to:</p> <ul style="list-style-type: none"> <li>allow gift letters to specify the actual or the maximum dollar amount of the gift</li> <li>remove the requirement that gift letters must specify the date the funds were transferred</li> </ul> <p><b>Note:</b> These gift letter requirements apply to both personal gifts and gifts of equity.</p>
Use of Business Assets	<p>For non-AUS and DU loans, when self-employment income is <b>not</b> being used to qualify for the loan, but the borrower is using assets from their business towards down payment, closing costs, and/or financial reserves, a business cash flow analysis is no longer required, provided the borrower is listed as an owner of the account and the account is verified.</p>
Tax Return Extensions	<p>For non-AUS and DU loans, we clarified the requirements for documenting the most recent year's tax returns based on the application date and disbursement date of the mortgage loan. The "most recent year's" tax return is defined as the last return scheduled to have been filed with the IRS. The loan file must always include the last tax return filed by the borrower and the minimum number of years of tax returns required based on the underwriting method.</p>
Temporary Leave Income	<p>For non-AUS and DU loans, we clarified temporary leave income requirements to specify that:</p> <ul style="list-style-type: none"> <li>mandatory leave initiated by an employer, such as a furlough or layoff, is not considered temporary leave</li> <li>income resulting from a furlough, layoff, or other employer-initiated action is not eligible to be used as qualifying income unless it is associated with seasonal employment</li> </ul>
Comparable Sales for New (or Recently Converted) Projects	<p>For non-AUS and DU loans, when the subject property is one of the first sales in a new or recently converted condo project, subdivision, or PUD containing 2 to 20 properties, we will now allow the appraiser to use comparable sales from outside the project that meet the following requirements:</p> <ul style="list-style-type: none"> <li>the comparable sales must be from a similar type of project, subdivision, or PUD; and</li> </ul>

## Bulletin Details, continued

### Agency Updates, continued

Topic	Update
Comparable Sales for New (or Recently Converted) Projects, continued	<ul style="list-style-type: none"> <li>the comparable project, subdivision, or PUD must be another development that has similar units, amenities, and is a similar size to the subject.</li> </ul> <p>If the subject is not the first unit under contract in the project, the appraiser must also include one “under contract” sale from the subject’s project for comparison.</p>
Valuation Options for Deed-Restricted Properties	For DU loans, deed-restricted properties that do <b>not</b> contain resale restrictions based on <i>price</i> are now eligible for a desktop appraisal or an appraisal waiver.
Affordable Second with a Non-Profit Property Seller	<p>For LPA loans secured by properties subject to income-based resale restrictions, the source of an Affordable Second may now be a non-profit entity that is also the property seller but is not affiliated with a government agency; provided, the following is confirmed:</p> <ul style="list-style-type: none"> <li>the mortgage file contains the Internal Revenue Code 501(c) determination letter that allows for federal tax exemption of non-profit entities,</li> <li>the non-profit entity has the financial capacity to provide the Affordable Second, and</li> <li>the Affordable Second meets all other applicable requirements</li> </ul> <p>Use <b>SFC J07</b> to identify loans that meet this requirement.</p>
Financing Real Estate Taxes in a “No Cash-Out” Refinance Transaction	For LPA loans, we clarified requirements to specify that past due and/or delinquent real estate taxes may not be paid with the proceeds of the “no cash-out” refinance mortgage, except as follows: “no cash-out” refinance proceeds may be used to disburse cash out to the borrower or another payee up to the greater of 1% of the refinance mortgage or \$2,000, and this portion of the proceeds may be used toward the payment of delinquent taxes.
Documentation of Source of Funds Used to Pay Off or Pay Down Debts	For LPA loans, we updated requirements for verification of deposits in the borrower’s asset accounts to specify that when an unverified deposit is used to pay off or pay down an existing debt in order to qualify for the mortgage, the source of funds must be documented. This applies regardless of the deposit amount or whether the mortgage is a purchase or a refinance transaction.
Other Standards Improvement Updates	<p>In support of our standards improvement initiative, we:</p> <ul style="list-style-type: none"> <li>removed second home and/or investment property requirements from non-AUS guidelines under the “Primary Residences”, “Gift Funds”, and “Minimum Borrower Contribution Requirements” subtopics (<i>due to the ineligibility of these non-AUS transactions, previously published in Product Release <a href="#">COR21-013</a></i>)</li> <li>removed references to the outdated <i>Form 1003 7/05 revision (6/09)</i> under the “Gift Funds”, “Self-Employment Income”, “Fannie Mae’s HomeStyle® Energy for Improvements on Existing Properties”, and “Fannie Mae’s HomeStyle® Renovation Mortgage” subtopics</li> <li>refreshed LPA requirements in the “Limited Cash-Out Refinance (LPA Terminology: “No Cash-Out Refinance)” subtopic within the Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages Standard to: <ul style="list-style-type: none"> <li>add reference to the seasoning requirement for “no cash-out” refinance transactions (<i>previously published in Product Release <a href="#">COR21-038</a></i>)</li> <li>add guidance related to the proceeds of a CHOICERenovation® Mortgage (<i>previously published in Product Release <a href="#">COR20-057</a></i>)</li> </ul> </li> </ul>

### Before and After Matrix

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

## Bulletin Details, continued

### Revised Material

Click [Appraisal Standard](#), [Agency Loan Standard](#), [Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages Standard](#), and [Agency Overlay Matrix](#) to review the revised product materials.

### Former Standards

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

### 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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