

Alert

Update

Reminder

Clarification

Training
Information

Preview

DU Version 11.1 Updates, Appraisal, Sweat Equity, and Other Agency Revisions

Truist Bank (Truist) announces that Fannie Mae will implement updates to Desktop Underwriter® (DU®) Version 11.1 this weekend, April 15, 2023. Changes in the DU release will include the following:

- valuation modernization updates, introducing the following:
 - a new “value acceptance” term that will now be used in conjunction with the term “appraisal waiver”
 - a new Value Acceptance + Property Data offer
 - hybrid appraisals
 - completion alternatives to the *Appraisal Update and/or Completion Report* (Form 1004D)
- DU validation service updates
- messaging updates to align with previously announced updates related to the following:
 - borrower contribution requirements
 - cash-out refinance seasoning requirement
 - COVID-19 temporary documentation and eligibility requirements retirement
 - homeownership education and counseling
 - HomeStyle® Energy loans
 - large deposits

Except as outlined below, Truist will align with these DU Version 11.1 updates.

- At this time, due to current operational and technology constraints to support, Truist is **delaying our alignment with** Fannie Mae’s new Value Acceptance + Property Data offer (this includes the acceptance of hybrid appraisals). This applies to CorrAdvantage loans as well. We anticipate to fully align in the future.

We revise Agency non-AUS and DU requirements to align with recently announced Fannie Mae updates. With these updates, we:

- clarify requirements related to property condition and quality of construction of the improvements
- provide additional guidance on the use of sweat equity and nonprofit program providers

Additionally, we refresh requirements related to the following topics, to align with Fannie Mae and Freddie Mac’s wording/presentation of guidance (*intent of requirements remain the same*).

- Affordable Seconds®
- HomeStyle® Renovation loans

Effective Dates

- DU will begin issuing messages regarding the new “Value Acceptance + Property Data” offer on new loan casefiles created on or after April 16, 2023. **Disregard these new messages at this time.**
- The DU validation service updates will be effective for certain loan casefiles on or after the weekend of April 15, 2023. (See “Bulletin Details” for additional information on the effective dates for these updates.)
- The DU messaging updates will be effective for DU Version 11.1 loan casefiles submitted or resubmitted to DU on or after the weekend of April 15, 2023.
- All other updates are effective immediately for existing and new loan applications on or after April 14, 2023.

Background Information

Fannie Mae SEL-2023-02 announced updates related to various valuation, appraisal, sweat equity, and HomeStyle Renovation requirements. In Desktop Underwriter/Desktop Originator Release Notes DU Version 11.1 April Update, Fannie Mae announced DU Version 11.1 related updates. In response to these publications, we reviewed impacted standard documents and identified the updates we are currently able to implement to align with Fannie Mae requirements. We also continue to identify opportunities to improve the presentation of our published Agency requirements.

Bulletin Details

Agency Updates

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

Topic	Update
Value Acceptance (New Terminology)	<p>For DU transactions, the term “value acceptance” will now be used in conjunction with the term “appraisal waiver” to better reflect the actual process of using data and technology to accept the lender-provided value. We updated impacted standard documents to reflect the term “value acceptance (appraisal waiver).” The DU appraisal waiver messages will be updated to align with this terminology change, this weekend, April 15, 2023.</p> <p>Notes:</p> <ul style="list-style-type: none"> • Fannie Mae will be using “value acceptance (appraisal waiver)” for a period of time and will eventually move to “value acceptance” after the market absorbs this change. • At this time, the “value acceptance” terminology will not be reflected in LendingSpace. Continue to select “Property Inspection Waiver” as the appraisal type for loans originated with a “value acceptance (appraisal waiver)” offer.
DU Value Acceptance + Property Data Offer	<ul style="list-style-type: none"> • The DU Value Acceptance + Property Data offer is a new option that utilizes property data collection by a third party who conducts interior and exterior data collection on the subject property. The property data collection is used by the lender to confirm property eligibility, and an appraisal is not required. • We revised impacted standard documents to reflect that the DU Value Acceptance + Property Data offer is not permitted on loans purchased by Truist. This is a new overlay. A project team is currently evaluating all operational and technology impacts to support this new offer in the future. • On April 16, 2023, DU will begin issuing messages regarding the value acceptance + property data offer (on new loan casefiles created on or after April 16, 2023). Disregard these new messages at this time.

Bulletin Details, continued

Agency Updates, continued

Topic	Update
Hybrid Appraisals	<ul style="list-style-type: none"> Hybrid appraisals are based on interior and exterior property data collection by a vetted and trained third-party that is provided to an appraiser to inform the appraisal. Fannie Mae will begin permitting a hybrid appraisal [<i>Uniform Residential Appraisal Report (Hybrid)</i> (Form 1004 Hybrid)] for certain one-unit transactions where value acceptance + property data was initially started, but changes in loan characteristics made the transaction no longer eligible for that option. Due to Truist's delay in aligning with the DU value acceptance + property data offer, we revised impacted standard documents to reflect that hybrid appraisals are not eligible for DU loans. This is a new overlay.
1004D Completion Alternatives	<p>For non-AUS and DU loans, we revised requirements to allow completion alternatives to the <i>Appraisal Update and/or Completion Report</i> (Form 1004D). These include a borrower/builder attestation letter to verify completion of construction, and a borrower attestation letter to confirm completion of repairs for existing construction in lieu of Form 1004D. The requirements further describe required exhibits and controls. This change also allows appraisers to use virtual inspection technology to supplement the 1004D process with certain constraints. The DU messages referencing a certificate of completion and/or Form 1004D will be updated to remind lenders of these completion alternatives, this weekend, April 15, 2023.</p>
DU Validation Service Updates	<p>The DU validation service will be updated to prevent validation of income or assets when employment and income verification reports or asset verification reports contain data that does not align with published requirements. The changes include the following:</p> <ul style="list-style-type: none"> The DU validation service will only consider data from income and asset verification reports that are reflected in U.S. dollars (USD). This change will only apply to new loan casefiles created on or after April 16, 2023. The DU validation service will not consider employment and income records from verification of employment and income reports when the reports indicate the consumer has an unresolved dispute on the accuracy of the employment or income data. This change will apply to loan casefiles submitted or resubmitted to DU on or after the weekend of April 15, 2023.
DU Message Updates to Align with Previously Announced Updates	<ul style="list-style-type: none"> Borrower Contribution Requirements: Product Release COR23-003 announced a revised minimum borrower contribution requirement for HomeReady 2-4 unit primary residence, purchase transactions (with an LTV, TLTV, or HTLTV ratio greater than 80%) when the transaction includes a grant. The DU messages specifying the minimum borrower contribution requirements will be updated to ensure the appropriate contribution requirement messages are issued. Cash-out Refinance Seasoning Requirement: Product Release COR23-008 announced new eligibility requirements for cash-out refinance transactions to require that any existing first mortgage being paid off through the transaction be at least 12 months old as measured from the note date of the existing loan to the note date of the new loan. The DU message issued on all cash-out refinance transactions will be updated to remind lenders of these requirements. COVID-19 Temporary Documentation and Eligibility Requirements Retirement: The COVID-19 temporary documentation and eligibility requirements message issued by DU will be retired. Homeownership Education and Counseling: Product Release COR23-008 announced that the permanent Agency loan file must include a copy of the <i>Supplemental Consumer Information Form</i> (Form 1103), which includes information about housing counseling and education. The DU homeownership education and counseling messages will be updated to clarify education and counseling options, as well as documentation requirements.

Bulletin Details, continued

Agency Updates, continued

Topic	Update
DU Message Updates to Align with Previously Announced Updates, continued	<ul style="list-style-type: none"> • HomeStyle® Energy: Product Release COR23-008 announced an expansion to the list of exceptions to the home energy report and clarified that lenders are only required to verify, and retain documentation in the loan file, that an improvement is on the EPA ENERGY STAR-certified product list. The DU message reminding lenders of the HomeStyle Energy requirements will be updated to specify when an energy report is and is not required. • Large Deposits: DU will issue a new message on purchase transactions reminding lenders when large deposits need to be documented. This message will specify that the lender must document that any deposit that exceeds a specific dollar amount (50% of the total qualifying income) is from an acceptable source when depository assets are used to support the amount of funds required and reserves. <p>Note: When assets are validated by the DU validation service, this new message will not be issued.</p>
Property Condition and Quality of Construction	<p>We clarified requirements related to property condition and quality of construction of the improvements as follows:</p> <ul style="list-style-type: none"> • For non-AUS loans, properties with a condition rating of C6 are not eligible for sale to Fannie Mae. Any deficiencies impacting the safety, soundness, or structural integrity of the property must be repaired with a resulting minimum property condition of C5 prior to delivery of the loan to Truist. • For DU loans, properties with a condition rating of C5 or C6 are not eligible for sale to Fannie Mae. Any deficiencies impacting the safety, soundness, or structural integrity of the property must be repaired with a resulting minimum property condition of C4 prior to delivery of the loan to Truist. (Please note that the C5 and C4 requirements are existing overlays.)
Sweat Equity	<p>For HomeReady non-AUS and DU loans, we removed the following limitations from sweat equity transactions:</p> <ul style="list-style-type: none"> • The borrower is no longer required to contribute at least 3% of their own funds when sweat equity is used towards the down payment on a one-unit property. • There is no longer a cap of 2% sweat equity that may be used as part of the minimum down payment of 5% for a one-unit property. <p>In addition, we clarified expectations for sweat equity program providers, which must be recognized by the IRS as a 501(c)(3) organization. We also added new guidance to determine the dollar value for sweat equity to be based on an hourly rate established by the nonprofit.</p> <p>Fannie Mae is updating the DU messages issued when sweat equity is provided as an Other Credit (Line M. of Section L4 of the loan application) to support this change, this weekend, April 15, 2023.</p>
Affordable Seconds	<p>For LPA loans, we revised Affordable Seconds requirements to align with Freddie Mac's wording/presentation of guidance in the following subsections (<i>intent of requirements remain the same</i>):</p> <ul style="list-style-type: none"> • "Participation in Appreciation (Equity Sharing)" • "Special Requirements for Properties Subject to Income-Based Resale Restrictions and Affordable Seconds Used to Subsidize the Property's Sales Price"
HomeStyle Renovation	<p>We updated currently published requirements, related to how DU will identify HomeStyle Renovation loan casefiles (as previously announced in Product Release COR23-010), to align with Fannie Mae's wording/presentation of guidance (<i>intent of requirements remain the same</i>).</p>

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 Materials

Click [Appraisal Standard](#), [Completion Escrow Standard](#), [Subordination of Truist Second Mortgage Loans Standard](#), [Agency Loan Standard](#), [Fannie Mae HomeReady®](#) and [Freddie Mac Home Possible® Mortgages Standard](#), [Texas Section \[50\(a\)\(6\)\] Mortgages Standard](#), [CorrAdvantage 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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