

Alert

Update

Reminder

Clarification

Training
Information

Preview

Agency Federal Tax Installment Plans and Other Revisions

Truist Bank (Truist) revises Agency Loan Product Advisor[®] (LPASM) requirements to align with recently announced Freddie Mac updates. With these updates we:

- add guidance to address Internal Revenue Service (IRS) installment agreements for the payment of past-due federal taxes
- retire requirements for excluding the cost of unplanned buydowns from the calculation of total financing concessions

We also revise non-AUS, Desktop Underwriter[®] (DU[®]), and LPA private transfer fee covenants requirements to reflect that shared equity loans secured by properties subject to private transfer fee covenants that meet the eligibility conditions outlined in Fannie Mae Lender Letter LL-2023-02 and Freddie Mac Bulletin 2023-11 are currently not eligible for purchase by Truist (due to Truist technology constraints).

Effective Dates

- The federal tax installment plans and unplanned buydowns updates are effective for new loan applications on or after June 30, 2023.
- The private transfer fee covenants update is effective immediately for existing and new loan applications on or after June 30, 2023.

Background Information

Freddie Mac Bulletin 2023-11 announced updates related to federal tax installment plans, unplanned buydowns, and private transfer fee covenants. Additionally, Fannie Mae Lender Letter LL-2023-02 announced an update related to private transfer fee covenants. In response to these publications, we reviewed impacted standard documents and identified the opportunity to more closely align with Freddie Mac and Fannie Mae requirements.

Bulletin Details

Federal Tax Installment Plans

For LPA loans, we align with Freddie Mac and add guidance to address IRS installment agreements for the payment of past-due federal taxes as follows:

- When the borrower is obligated on an installment agreement approved by the IRS for payment of past-due federal taxes, the following requirements must be met:
 - The monthly payment must be included in the borrower's debt payment-to-income ratio if there are more than 10 months of payments remaining on the installment agreement

Bulletin Details, continued

Federal Tax Installment Plans, continued

Note: An exception to the above requirement is permitted for installment debt that meets the requirements outlined in the “Debt Paid by Others / Contingent Liabilities” subtopic of the Agency Underwriting Conventional Standard.

- The lender must obtain and retain in the mortgage file a copy of the installment agreement approved by the IRS. The installment agreement must reflect the payment terms and verify the monthly payment amount and balance
- The lender must document in the mortgage file that the borrower is not past due under the terms of the installment agreement
- There must be no indication, and the lender must have no knowledge, that the IRS has filed a Note of Federal Tax Lien for the taxes owed under the installment agreement

Unplanned Buydowns

For LPA loans, we align with Freddie Mac and retire requirements for excluding the cost of unplanned buydowns from the calculation of total financing concessions. As a result, amounts paid as an unplanned buydown must now be included when calculating the total value of financing concessions.

Private Transfer Fee Covenants

We revise non-AUS, DU, and LPA private transfer fee covenants requirements to reflect that shared equity loans secured by properties subject to private transfer fee covenants that meet the eligibility conditions outlined in Fannie Mae Lender Letter LL-2023-02 and Freddie Mac Bulletin 2023-11 are currently not eligible for purchase by Truist (a new overlay due to Truist technology constraints).

Before and After Matrix

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

Revised Materials

Click [Agency Loan 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.

This information is for use by mortgage professionals only and should not be distributed to or used by consumers or other third parties. This is not for solicitation of sales. Information is accurate as of date of posting and is subject to change without current product details and lending procedure. Truist Bank does not guarantee or assume liability for any third-party products or services. Truist Bank is an Equal Housing Lender. ©2023 Truist Financial Corporation. All rights reserved.