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## Agency Property Insurance, Appraisal, and Estimated Values in LPA Revisions

Truist Bank (Truist) revises Agency requirements to more closely align with previously announced Fannie Mae and Freddie Mac updates. With these updates we:

- provide various clarifications for property insurance coverage requirements for non-AUS, Desktop Underwriter® (DU®) and Loan Product Advisor® (LPA<sup>SM</sup>) loans
- revise photo requirements for appraisal reports with interior and exterior inspections for LPA loans
- clarify LPA requirements for appraisals subject to completion per plans and specifications and appraisals subject to repairs or alterations
- incorporate new requirements for providing estimated values in LPA for automated collateral evaluation (ACE) and ACE+ Property Data Report (PDR) refinance transactions

**Reminder:** LPA loans originated with an ACE+ PDR offer must be underwritten by the Correspondent lender (approved by Truist for delegated underwriting authority).

We also refresh various LPA appraisal requirements to remove outdated and/or duplicated guidance and to more closely align with Freddie Mac's wording and/or presentation of guidance.

### Effective Dates

- All property insurance related updates are effective for new loan applications dated on or after June 01, 2024.
- The revised photo requirements for appraisal reports with interior and exterior inspections are effective for LPA loans with appraisal effective dates on or after June 06, 2024.
- The new requirements related to providing estimated values in LPA are effective June 06, 2024.
- All remaining updates are effective immediately for existing and new loan applications on or after May 24, 2024.

### Background Information

Fannie Mae SEL-2024-01 and Freddie Mac Bulletin 2024-1 announced updates impacting property insurance requirements. Freddie Mac Bulletin 2024-1 also announced updates related to appraisal photo requirements and requirements for providing estimated values in LPA. Freddie Mac Bulletin 2023-9 announced updates related to appraisals made subject to completion per plans and specifications. In response to these publications, we reviewed impacted standard documents and identified the opportunity to implement revisions to more closely align with Fannie Mae and Freddie Mac requirements. We also continue to identify opportunities to improve the presentation of our published Agency requirements.

## Bulletin Details

### Property Insurance Requirements

For non-AUS, DU, and LPA loans, we aligned with Fannie Mae and Freddie Mac and revised property insurance requirements as follows:

- For property insurance policies for one-to-four-unit properties and master property insurance policies for project developments:
  - Specified that claims must be settled on a replacement cost basis and that insurance policies that provide for claims to be settled at actual cash value or limit, depreciate, reduce, or otherwise settle losses at anything other than a replacement cost basis are not eligible
  - Specified that the lender must verify that the coverage amount meets Fannie Mae and Freddie Mac's requirements as of the current insurance policy effective date, with examples of acceptable verification sources
- For master property insurance policies for project developments:
  - Removed coinsurance requirements and outdated references to guaranteed replacement cost, extended replacement cost, and replacement cost coverage

For non-AUS and DU loans only, we aligned with Fannie Mae with the following additional update:

- For master property insurance policies for project developments, specified that the minimum required perils that a policy must cover are those found in a commercial "Broad" coverage form.

For LPA loans only, we aligned with Freddie Mac with the following additional updates:

- Relocated the placement of the Condominium Association Coverage Form or its equivalent requirement for master condominium insurance policies to the additional coverage section
- Updated flood insurance requirements for condominium projects to reflect the maximum coverage amount available from the National Flood Insurance Program per unit, consistent with planned unit development (PUD) requirements

### Photo Requirements for Appraisal Reports

For LPA loans, we aligned with Freddie Mac and updated the photo requirements for appraisal reports with interior and exterior inspections to include additional interior photos of the subject property. With this update, more detailed photographs of all living areas, including all gathering rooms and finished and unfinished basement areas, will now be required.

### Appraisals Subject to Completion Per Plans and Specifications and Appraisals Subject to Repairs or Alterations

For LPA loans, we clarified requirements by creating separate subsections for "Appraisals Subject to Completion Per Plans and Specifications" and "Appraisals Subject to Repairs or Alterations" requirements. These subsections now provide additional detail related to Form 442, *Appraisal Update and/or Completion Report* requirements.

## Bulletin Details, continued

### Requirements for Providing Estimated Values in LPA

For LPA loans, we aligned with Freddie Mac and updated ACE and ACE+ PDR requirements to state the following:

- For refinance transactions, the lender must have written procedures in place that prohibit changes to the estimated value in LPA for the purpose of obtaining an appraisal waiver or more favorable mortgage terms (e.g., avoiding mortgage insurance). The procedures must include a process for establishing the estimated value, which may include, but is not limited to, the use of the borrower's estimated value, an Automated Valuation Model (AVM) or an online valuation tool or website.

**Note:** See the *Bulletin Summary* (on page one) for a reminder regarding the underwriting restriction for loans purchased with an ACE+ PDR offer.

### Agency Standards Improvement Updates

For LPA loans, all other updates made to the following appraisal related requirements were made in support of our standards improvement initiative:

- **Appraisal Report Forms and Exhibits:**
  - Removed reference to Minimum Assessment Feedback (MAF), a type of feedback message previously included on the LPA Feedback Certificate, from this section
  - Updated wording and/or formatting of guidance within this section to more closely align with Freddie Mac's presentation of guidance (*requirements intent remained the same*)
- **Appraisal Age, Appraisal Update and/or Completion Report, and Appraisal Use Requirements:**
  - Removed duplicated guidance from this section related to the "Acceptable Age of the LPA Automated Collateral Evaluation (ACE) Offer;" this guidance will now be located in the "Freddie Mac's LPA Automated Collateral Evaluation (ACE)" subtopic only (*within the Agency Loan Standard document*), aligning with Freddie Mac's presentation of this guidance.
  - Removed duplicated guidance related to the "Acceptable Age of the ACE+ PDR Offer;" this guidance will now be located in the "Freddie Mac's LPA Automated Collateral Evaluation+ Property Data Report (ACE+ PDR)" subtopic only (*within the Agency Loan Standard document*), aligning with Freddie Mac's presentation of this guidance
  - Removed duplicated guidance related to the "Appraiser's Inspection of the Subject Property;" this guidance will now be located in the "Property Condition and Quality of Construction of the Improvements/Appraisals Completed 'Subject To' an Inspection" subtopic/section only (*within the "Appraisal Analysis: Agency Loan Programs" section of the Appraisal Standard document*), aligning with Freddie Mac's presentation of this guidance

## Bulletin Details, continued

### Before and After Matrices

- [Click here](#) to see the before and after matrix that provides a detailed overview of all non-AUS and DU requirements revisions.
- [Click here](#) to see the before and after matrix that provides a detailed overview of all LPA requirements revisions.

### Revised Material

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

## Former Standards

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

## Other Resources

Support Group	Description and Contact Information:
Correspondent Relationship Coordinator	Specific questions on applying this procedure to specific loan files. Contact your Correspondent Relationship Coordinator 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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