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Preview

DU Validation Service, Builder Standby/Forward Commitments, and Other Agency Revisions

Truist Bank (Truist) revises Agency requirements as a result of previously announced Fannie Mae and Freddie Mac updates. With these updates we:

- announce Desktop Underwriter® (DU®) validation service enhancements that apply to loan casefiles for which employment or income is validated using an asset verification report to include:
 - dynamic employment validation close-by dates
 - new report type to extend borrower employment validation
 - expanded eligibility for income and employment validation messaging
- outline the related representations and warranties relief for loans with income, employment, and asset data validated by the DU validation service
- revise non-AUS, DU, and Loan Product Advisor® (LPASM) requirements to reflect that mortgages with rates provided based on a builder standby/forward commitment are not eligible for purchase by Truist (*an overlay due to Truist technology constraints to support; this restriction applies to CorrAdvantage loans as well*)
- revise LPA requirements to:
 - add the eligibility of warranty of completion alternatives for verifying the completion of new or proposed construction or required repairs on existing properties
 - clarify mortgage file language requirements
 - incorporate the definition of “Agency,” as it relates to the entities that may provide financial assistance when certain eligibility requirements are met
- clarify Truist’s existing LPA overlays related to the ineligibility of:
 - custom mortgage insurance (MI)
 - annual and monthly premium lender-paid MI (LPMI)

Note: *These MI restrictions apply for CorrAdvantage loans as well.*

We also refresh various LPA requirements to more closely align with Freddie Mac’s presentation of guidance (*intent of requirements remain the same*).

Effective Dates

All updates are effective immediately for existing and new loan applications on or after September 20, 2024.

Background Information

Fannie Mae SEL-2024-05 and the DU Validation Service September Release Notes announced DU validation service enhancements. Fannie Mae SEL-2024-04 and Freddie Mac Bulletin 2024-7 announced updates

Background Information, continued

related to builder standby/forward commitments. Freddie Mac Bulletin 2023-9 announced updates related to warranty of completion alternatives and mortgage file language requirements. Freddie Mac Bulletin 2024-7 also announced updates related to warranty of completion alternatives, custom MI, lender-paid MI, and the revised definition of “Agency.” 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 and Freddie Mac requirements. We also continue to identify opportunities to improve the presentation of our published Agency requirements.

Bulletin Details

DU Validation Service Updates

For DU loans, we aligned with Fannie Mae’s DU validation service enhancements to improve the digital verification of income and employment for loan casefiles submitted or resubmitted to DU on or after today, September 20, 2024. The enhancements apply to loan casefiles for which employment or income is validated using an asset verification report. Highlights of the enhancements are as follows:

- **Dynamic Employment Validation Close-By Dates:** When employment is validated using an asset verification report, DU will apply a close-by date that is 15-days from the report “Current As-of Date,” or up to the next expected income deposit date (whichever is greater). For example, when borrowers are paid monthly, the next expected income deposit date may be up to 30 days after the report date. The close-by date that applies to each employment will be provided in the DU Findings message indicating employment is validated.
- **New Report Type to Extend Borrower Employment Validation:** Revised DU validation service requirements announced in Product Release [COR24-035](#) permitted the allowance of manual reverification of employment using a supplemental deposit-based asset verification report. Supplemental asset verification reports are provided by some report vendors for employment reverification and contain asset account details without deposit amounts and account balances. This release will automate the use of the supplemental asset verification report to extend employment validation when employment was previously validated using an asset verification report. When the most recent expected deposit is present for a borrower’s employer, DU will provide updated messaging to extend the close-by date for employment an additional 15-days or up to the next expected deposit date for a borrower (whichever is greater as noted above). Employment that is validated by DU using both the original asset verification report and the supplemental deposit-based asset verification report will receive relief from enforcement of related representations and warranties if the loan closes by the date specified in the DU messages and all other conditions of the DU validation service are met.
- **Expanded Eligibility for Income and Employment Validation Messaging:** All loan casefiles will be eligible to receive income and employment validation messages irrespective of the debt-to-income (DTI) ratio. Previously, those with a debt-to-income ratio greater than 45.000% were ineligible.

Bulletin Details, continued

DU Validation Service Updates, continued

We also revised DU validation service requirements to include a table outlining the related representations and warranties relief for loans with income, employment, and asset data validated by the DU Validation Service.

Builder Standby/Forward Commitments

Fannie Mae and Freddie Mac recently updated their *Selling/Seller Guides* to specify that fees associated with obtaining a builder standby/forward commitment are not considered interested party contributions. Due to Truist technology constraints to support, non-AUS, DU, and LPA mortgages with rates provided based on a builder standby/forward commitment are **not** eligible for purchase by Truist. This ineligibility is an overlay and has been added to the applicable Agency product standard documents and the Agency Overlays Matrix. *This restriction applies to CorrAdvantage loans as well.*

Note: Fees a builder pays to a lender before entering into a sales contract with a borrower to offer future buyers mortgages at a specific mortgage interest rate are considered standby commitment fees (also known as forward commitment fees).

Warranty of Completion Alternatives

For LPA loans, we aligned with Freddie Mac and revised requirements for verifying the completion of a property to allow completion alternatives for both appraisers and borrowers. With this update, appraisers may now use virtual technology to visually inspect and confirm the completion of new or proposed construction or required repairs on existing properties in lieu of an on-site inspection. Borrowers may now use Freddie Mac Form 400, *Warranty of Completion of Construction or Repairs/Alterations*, or other substantially similar form, to confirm completion of construction or repairs for appraisal reports and completion of repairs for property data reports (PDRs), both with supporting documentation. See today's revised product materials for additional details.

Agency Definition

Freddie Mac recently updated their definition of "Agency" to provide additional specificity to their requirements for entities that may provide financial assistance (e.g., through an Agency gift or grant, Affordable Second®, individual development account, or unsecured loan) when certain eligibility requirements are met. We aligned with Freddie Mac and added reference to this updated definition to our published LPA requirements in the following subtopics:

- Affordable Seconds® (Freddie Mac)
- Donations from Entities – Grants
- Individual Development Accounts (IDAs)
- Unsecured Loans (for Home Possible Mortgages only)

See today's revised product materials for the revised "Agency" definition.

Bulletin Details, continued

Custom MI and LPMI

Freddie Mac recently announced eligibility of the following:

- Custom MI option used in conjunction with super conforming mortgages
- Custom MI option used in conjunction with lender-paid MI
- Annual and monthly premium LPMI without prior approval from Freddie Mac to deliver such mortgages

Truist is **not** aligning with these MI updates. Annual and monthly premium LPMI and the custom MI option **remain ineligible** for LPA loans purchased by Truist (*existing overlays; these restrictions apply to CorrAdvantage loans as well*).

Standards Improvement Updates

In support of our standards improvement initiative, we refreshed LPA requirements in the following subtopics/subsections to more closely align with Freddie Mac's presentation of guidance. For these additional updates, intent of requirements remained the same:

- Interested Party Contributions / Financing Concessions
- Unsecured Loans (Home Possible only)
- Flexible Sources of Funds (Home Possible only)
- Mortgage Insurance / General Requirements

Before and After Matrices

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

Revised Materials

Click [Completion Escrow Standard](#), [Non-Permanent Resident Alien Requirements Standard](#), [Agency Loan Standard](#), [Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages Standard](#), [CorrAdvantage Standard](#), and [Agency Overlays Matrix](#) to review the revised product materials.

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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