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## New ARM Instruments, Condo, Rent-Related Credits, Housing Counseling, and Other Agency Revisions

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

- announce the upcoming mandatory use date of the new state-specific Fannie Mae/Freddie Mac 30-day Average SOFR ARM instruments (*05/2024 versions*) for loans purchased by Truist that use these standard industry documents (*see "Bulletin Details" for a listing of new state-specific instruments*)
- acknowledge Freddie Mac's recent enhancement to Condo Project Advisor<sup>®</sup> and Loan Product Advisor<sup>®</sup> (LPA<sup>SM</sup>) that integrated Project Assessment Request (PAR) statuses and their related feedback messages directly into LPA (*allowing this information to now appear on the LPA Feedback Certificate*)
- for non-AUS, Desktop Underwriter<sup>®</sup> (DU<sup>®</sup>), and LPA loans:
  - add requirements pertaining to rent-back credits
  - add reference to the use of Special Feature Code (SFC) 009 to identify a loan with a temporary interest rate buydown
- for non-AUS and DU loans:
  - revise requirements pertaining to rent credit with an option to purchase
  - revise requirements to reflect the new income evaluations that are now available when using Fannie Mae's Income Calculator
  - expand the timeframe for completion of housing counseling for HomeReady<sup>®</sup> loans when using SFC 184
  - eliminate the *Certificate of Completion of Housing Counseling* (Form 1017) requirement (*for standard Agency and HomeReady loans*)
- for DU loans, revise requirements to state that any data collected that is associated with the *Supplemental Consumer Information Form* (Form 1103) should be provided to DU

We also refresh cash reserve and temporary interest rate buydown requirements to incorporate a previously published update.

### Effective Dates

- The new state-specific Fannie Mae/Freddie Mac 30-day Average SOFR ARM instruments are required for loans with note dates on or after November 01, 2024.
- The Condo Project Advisor PAR related enhancement was effective September 29, 2024, for existing and new LPA submissions.
- All other updates are effective immediately for existing and new loan applications on or after October 04, 2024.

## Background Information

Fannie Mae SEL-2024-03 and Freddie Mac Bulletin 2024-6 announced the publication of new state-specific versions of the Multistate 30-day Average SOFR ARM instruments that required state-specific authorized changes. Fannie Mae SEL-2024-04 announced the expanded timeframe for completion of housing counseling for HomeReady loans delivered with SFC 184 and the elimination of Form 1017. Fannie Mae SEL-2024-05 announced updates regarding rent-related credits, Income Calculator, and temporary buydowns. Freddie Mac Bulletin 2024-12 announced the enhancement to Condo Project Advisor’s PAR findings on the LPA Feedback Certificate. In response to these publications, we reviewed impacted standard documents and identified the need to implement revisions 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

### New State-Specific 30-Day Average SOFR ARM Instruments

Truist aligns with Fannie Mae and Freddie Mac and will require Correspondent Lenders to use the new state-specific Fannie Mae/Freddie Mac 30-day Average SOFR ARM instruments for loans with note dates on or after November 01, 2024. The publication of these new instruments was in response to industry feedback. There were no content changes to these newly published instruments other than incorporating all required state-specific authorized changes and adding a state-specific tagline. The new state-specific instruments (05/2024 Versions) are outlined below for immediate reference:

Form Title	Fannie Mae/Freddie Mac Form Number
<i>Florida Fixed/Adjustable-Rate Note (30-day Average SOFR Index-Rate Caps) (Assumable after Initial Period)</i>	Form 3442.10
<i>New Hampshire Fixed/Adjustable-Rate Note (30-day Average SOFR Index-Rate Caps) (Assumable after Initial Period)</i>	Form 3442.30
<i>Pennsylvania Fixed/Adjustable-Rate Note (30-day Average SOFR Index-Rate Caps) (Assumable after Initial Period)</i>	Form 3442.39
<i>Vermont Fixed/Adjustable-Rate Note (30-day Average SOFR Index-Rate Caps) (Assumable after Initial Period)</i>	Form 3442.46
<i>Virginia Fixed/Adjustable-Rate Note (30-day Average SOFR Index-Rate Caps) (Assumable after Initial Period)</i>	Form 3442.47
<i>West Virginia Fixed/Adjustable-Rate Note (30-day Average SOFR Index-Rate Caps) (Assumable after Initial Period)</i>	Form 3442.49
<i>Wisconsin Fixed/Adjustable-Rate Note (30-day Average SOFR Index-Rate Caps) (Assumable after Initial Period)</i>	Form 3442.50
<i>West Virginia Fixed/Adjustable-Rate Rider (30-day Average SOFR Index-Rate Caps) (Assumable after Initial Period)</i>	Form 3142.49

**Note:** SOFR ARM loans closed on these new legal instruments are currently acceptable for purchase by Truist.

## Bulletin Details, continued

### Condo Project Advisor PAR

Effective September 29, 2024, Freddie Mac enhanced Condo Project Advisor and LPA to provide more information on the LPA Feedback Certificate regarding Condo Project Advisor's PAR findings. Prior to this enhancement, the LPA Feedback Certificate provided information regarding the "Not Eligible" status PAR finding. Now, the LPA Feedback Certificate will include information on certain other PAR statuses and their related feedback messages. As a result, a project's PAR findings will now be available on both the Condo Project Advisor Feedback Certificate and the LPA Feedback Certificate. Lenders are responsible for ensuring compliance with the project review requirements specified in the last PAR findings. The note date must be within 120 days of the date of the Condo Project Advisor Feedback Certificate or the LPA Feedback Certificate, as applicable, with the last PAR findings.

[Click here](#) to view the new LPA feedback messages Freddie Mac implemented to support this enhancement.

### Rent Credit with an Option to Purchase

For non-AUS and DU loans, we revised rent credit with an option to purchase requirements to permit more than 12-months' rent credit to be used if all other published requirements are met. Additionally, we expanded the documentation requirements to include:

- rent verification documentation, including bank statements or other reasonable methods evidencing the rental payments over the term of the agreement, and
- minimum terms outlined in the rental/purchase agreement

**Note:** *The previously titled "Rent Credit for Option to Purchase" subtopic has been renamed to "Rent-Related Credits" within the Agency Loan Standard document.*

### Rent-Back Credit

For non-AUS, DU, and LPA loans, we revised Agency standards to address requirements pertaining to rent-back credit, as follows:

- A rent-back credit is an amount paid by the property seller to the borrower in exchange for allowing the seller to stay in the home for a specified period of time after closing. While rent-back credit to the borrower paid by the seller is permissible as part of the sale; it cannot be used as an eligible source of funds for closing costs, down payment, or reserves when qualifying the borrower.
- A rent-back credit may appear on the Settlement/Closing Disclosure Statement as a credit to the borrower. In all cases, lenders must underwrite the loan without any consideration of the rent-back credit and must document that the borrower has sufficient funds for the transaction from eligible sources.

**Note:** *For loans secured by the borrower's primary residence, the borrower must continue to meet any occupancy requirements as outlined in the security instrument.*

## Bulletin Details, continued

### Housing Counseling

We revised housing counseling requirements as follows:

- For non-AUS and DU HomeReady loans, we expanded the timeframe reference for completion of housing counseling when using SFC 184. Prior to this update, SFC 184 was required to be used to identify HomeReady loans where at least one borrower completed housing counseling *prior to execution of the sales contract*. With today's update, SFC 184 is now required to be used to identify HomeReady loans where at least one borrower completed housing counseling *within 12 months prior to loan closing*.
- For non-AUS and DU standard Agency and HomeReady loans, we eliminated the *Certificate of Completion of Housing Counseling* (Form 1017) requirement.

### Supplemental Consumer Information Form (Form 1103)

For DU loans, we revised requirements related to the *Supplemental Consumer Information Form* (Form 1103) to state that any data collected that is associated with Form 1103 should be provided to DU (*via completion of the Homeownership Education and Housing Counseling screens*). Though not required for underwriting, the date of completion and Housing Counseling Agency ID must be provided to DU.

**Reminder:** *The Homeownership Education and Housing Counseling section of Form 1103 should be completed on transactions where homeownership education **or** housing counseling is required. A copy of this form must be maintained in the loan file.*

### Fannie Mae's Income Calculator

For non-AUS and DU loans, we revised Income Calculator guidance to reflect that in addition to self-employment income, this tool now evaluates income reported on IRS Form 1065 or IRS Form 1120S, Schedule K-1 for borrowers who have less than 25% business ownership.

**Note:** *In response to the expansion of income types evaluated by Income Calculator, previously published guidance outlined in the "Use of Income Calculator" subsection within the "Self-Employment Income" subtopic has been relocated to a new "Fannie Mae Income Calculator" subtopic in the Agency Loan Standard document.*

### Temporary Interest Rate Buydowns

For non-AUS, DU, and LPA loans, we revised requirements to state that SFC 009 must be used to identify loans with a temporary interest rate buydown.

## Bulletin Details, continued

### Standards Improvement Updates

The following updates were made in support of our standards improvement initiative:

- **Cash Reserve Requirements:** Removed second home and investment property related guidance from non-AUS requirements (*due to the ineligibility of these non-AUS transactions, previously published in Product Release [COR21-013](#)*)
- **Temporary Buydowns:** Revised non-AUS requirements to reflect that second homes are ineligible (*as previously published in Product Release [COR21-013](#)*)

### 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 [Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages Standard](#) to review the revised product materials.

**Note:** *The Condominium and PUD Approval Requirements Standard document will be revised on October 25, 2024, to reflect updates related to the Condo Project Advisor PAR enhancement outlined in this Product Release Bulletin. Until that time, use this Product Release Bulletin for reference.*

### 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 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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