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Agency Rental Income, Condo, and Appraisal Related Revisions

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

- revise Loan Product Advisor® (LPASM) rental income requirements to provide additional flexibility and to align with Freddie Mac’s wording/presentation of guidance
- revise LPA project eligibility requirements to allow condo projects to share amenities with other residential projects, to include residential condo projects, cooperative projects, and planned unit developments (PUDs)
- revise non-AUS and DU appraisal practices requirements to mitigate the risk of prohibited or subjective terminology used in appraisal reports

Effective Dates

- The rental income and condo related updates are effective immediately for existing and new loan applications on or after November 22, 2024.
- All appraisal related revisions are effective for loans with application dates on or after December 03, 2024.

Background Information

Freddie Mac Bulletin 2024-9 announced rental income and condo project eligibility updates. Fannie Mae SEL-2024-06 announced updates related to mitigating subjective statements in appraisal reports. 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

Rental Income

For LPA loans, we revised rental income requirements to provide additional flexibility as follows:

Source of Rental Income	Requirement Update
Subject Investment Property (Purchase Transaction)	<ul style="list-style-type: none"> • Permitting use of rental income to qualify when the borrower rents their primary residence, provided the rental payment is documented. <i>Previously, rental income could be used to qualify only when the borrower owned their primary residence.</i> • Permitting an exception to the requirement that the borrower must rent or own their primary residence (i.e., be on the mortgage or the lease) to apply to at least one borrower when multiple borrowers share their primary residence. <i>Previously, all borrowers on the subject transaction were required to own their primary residence, regardless of whether they resided together.</i>

Bulletin Details, continued

Rental Income, continued

Source of Rental Income	Requirement Update
Subject Investment Property (Purchase Transaction) and Primary Residence being Converted to an Investment Property	Permitting the full amount of net rental income to be used to qualify as long as at least one borrower has a minimum of one year of investment property management experience. <i>Previously, all borrowers were required to have the one-year investment property management experience.</i>
Property Owned as a Rental Property During the Entire Prior Calendar Year	Permitting the following exception to the requirement to annualize (i.e., divide by 12) the net income or loss reported on Schedule E; the qualifying income may be established based on the number of days in service on Schedule E, provided that: <ul style="list-style-type: none"> • The property was out of service for any time period during the prior year, and • The mortgage file contains documentation of an event such as a renovation, as supported by a reduced number of days in use and repair costs on Schedule E
Property Purchased or Converted to a Rental Property Later in the Prior Calendar Year	<ul style="list-style-type: none"> • Permitting for the income used for qualifying to be based on the number of months after the purchase or conversion date. <i>Previously, the net income or loss reported on Schedule E was required to be annualized.</i> • Permitting the following exception to the above requirement: the qualifying income may be established based on the number of days in service on Schedule E, provided that: <ul style="list-style-type: none"> • The property was out of service for a period of time after the purchase or conversion, and • The mortgage file contains a documentation of an event such as a renovation, as supported by a reduced number of days in use and repair costs on Schedule E

We also refreshed LPA rental income requirements to align with Freddie Mac’s wording/presentation of guidance. For these additional updates, requirements intent remained the same.

Condo Project Ownership of Common Elements

For LPA loans, we revised project eligibility requirements to allow condo projects to share amenities with other residential projects. The term “residential projects” includes only residential condo projects, cooperative projects, and PUDs.

Note: As a reminder, Truist does not purchase Agency loans secured by a unit in a cooperative project. However, with today’s update, we will now permit the purchase of a loan secured by a unit in a **condo** project that shares amenities with a cooperative project (*see today’s revised product materials for additional details*).

Bulletin Details, continued

Mitigating Subjective Statements in Appraisal Reports

For non-AUS and DU loans, we revised appraisal requirements as follows:

- refined terminology by:
 - removing the term “employment stability”
 - adding the terms “fact-based and objective”
 - replacing the term “judgment” with analysis
- added a requirement for lenders to ensure the appraisal does not contain subjective and prohibited language relating to discriminatory practices and appraisal bias

Note: Lenders must have policies and procedures established to monitor appraisals for prohibited language to mitigate the risk of discriminatory practices and appraisal bias.

- added reference to the “Unacceptable Appraisal Practices” subtopic (*for additional guidance*) in various sections within the appraisal requirements when that subtopic was relevant

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 [Condominium and PUD Approval Requirements Standard](#), [Appraisal Standard](#), [Agency Loan Standard](#), and [Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages Standard](#) 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 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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