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## DU Validation Service Military Income Eligibility, LPA Hybrid Appraisals, ACE, ACE+ PDR, and Other Agency Revisions

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

- expand eligibility for income and employment validation through the Desktop Underwriter® (DU®) Validation Service to include military employment, base pay, and entitlements when using a 12-month asset verification report
- expand hybrid appraisal eligibility for certain Loan Product Advisor® (LPA<sup>SM</sup>) loans (**Reminder:** *LPA loans originated with a hybrid appraisal must be underwritten by the Correspondent lender (approved by Truist for delegated underwriting authority). This includes CorrAdvantage loans.*)
- revise LPA Automated Collateral Evaluation (ACE) and ACE+ Property Data Report (PDR) related requirements (**Reminder:** *LPA loans originated with an ACE+ PDR must be underwritten by the Correspondent lender (approved by Truist for delegated underwriting authority). This includes CorrAdvantage loans.*)
- revise LPA age of tax return requirements to reflect dates specific to the 2024 tax year

We revise the impacted standard document to reflect the revised age of questionnaire requirement for the Project Certified Submission (PCS) process in Freddie Mac's Condo Project Advisor® previously announced Product Release Bulletin [COR25-012](#).

We also refresh various Agency LPA requirements to promote consistency and/or to more closely align with Freddie Mac's wording and/or presentation of guidance (*requirements intent remain the same*).

### Effective Dates

- As previously announced, the revised age of questionnaire requirement for the PCS process in Condo Project Advisor was effective March 31, 2025.
- The expanded LPA hybrid appraisal eligibility is effective for LPA submissions and resubmissions on or after April 07, 2025.
- The DU Validation Service military income and employment eligibility updates are effective for loan casefiles submitted or resubmitted to DU on or after April 04, 2025.
- All other updates are effective immediately for existing and new loan applications on or after April 04, 2025.

### Background Information

Fannie Mae SEL-2025-01 and the DU Validation Service February Release Notes announced the expansion of income and employment validation in DU to include military employment, base pay, and entitlements using a 12-month asset verification report. Freddie Mac Bulletin 2025-1 announced revised ACE, ACE+ PDR, age of

## Background Information, continued

tax return requirements, and the upcoming expanded eligibility for hybrid appraisals. Freddie Mac Bulletins 2024-12, 2024-13, 2024-15, and 2025-3 announced the reformatting of various sections in Freddie Mac's *Seller Guide*. In response to these publications, we reviewed impacted standard documents and identified the opportunity to implement revisions to align with Fannie Mae and Freddie Mac requirements. We take the opportunity to incorporate the previously announced Condo Project Advisor (i.e., revised age of questionnaire for PCS process) related update into the impacted standard document. We also continue to identify opportunities to improve the presentation of our published Agency requirements.

## Bulletin Details

### DU Validation Service – Expansion of Income and Employment Validation to Include Military Employment, Base Pay and Entitlements

For DU loans, we expanded eligibility for income and employment validation through the DU Validation Service to include military employment, base pay, and entitlements when using a 12-month asset verification report. This eligibility includes income and employment validation for military personnel serving in the Reserves and/or National Guard. The lender must provide the name of the military employer (e.g., U.S. Army) and enter military income in the DU field specified for this purpose (i.e., military base pay). Entitlements must be entered individually according to the type of entitlement (e.g., quarter's allowance).

When both military base pay and entitlements are entered in DU, DU will attempt to validate the total amount of military income. In other words, DU will not separately validate military base pay from entitlements. When military income is validated, the lender is not required to obtain the borrower's military Leave and Earnings Statement (LES) to document income.

When the DU Validation Service identifies an eligible military income stream, DU will attempt to validate employment by matching the name of the military employer in DU with known military employer names (e.g., U.S. Army). When military employment is not validated by DU (e.g., military employer name is not entered in DU), the lender may continue to verify employment using a written or verbal verification of employment (verbal VOE), a military Leave and Earnings Statement dated within 120 calendar days prior to the note date, or a verification of employment through the Defense Manpower Data Center.

### LPA Hybrid Appraisal Expansion

For LPA loans, we expanded eligibility requirements for hybrid appraisals, providing an additional appraisal option. This means that hybrid appraisals will no longer be limited to instances when an ACE+ PDR must be upgraded to an appraisal. For LPA loans originated with a hybrid appraisal, the last LPA Feedback Certificate must indicate the mortgage is eligible for a hybrid appraisal report. *See today's revised product materials for complete details related to this expanded LPA hybrid appraisal eligibility, including, but not limited to, a listing*

## Bulletin Details, continued

### LPA Hybrid Appraisal Expansion, continued

of eligible and ineligible property and transaction types. Also, see the Bulletin Summary (on page one) for a reminder regarding the underwriting restriction for loans purchased with a hybrid appraisal.

### LPA ACE and ACE+ PDR

For LPA loans, we revised requirements as follows:

- For **ACE and ACE+ PDR**:
  - revised requirements to permit a lender to provide a more comprehensive valuation product than the minimum required in the last Feedback Certificate as follows:
    - In lieu of accepting the ACE appraisal waiver offer, the lender may deliver the mortgage with a PDR or an appraisal report if the eligibility requirements for ACE+ PDR or the selected appraisal type are met.
    - In lieu of accepting the ACE+ PDR offer, the lender may deliver the mortgage with an appraisal report if the eligibility requirements for the selected appraisal type are met.
  - specified that Texas Section 50(f)(2) mortgages are not eligible (*aligning with current LPA feedback messaging that states that if a loan is determined by the lender to be a refinance under Section 50(f)(2) of Article XVI of the Texas Constitution, it is not eligible for either ACE or ACE+ PDR and an appraisal must be obtained*)
  - refreshed and/or expanded references to ACE and ACE+ PDR LPA Feedback messages
- For **ACE**:
  - added flexibility that allows a lender to accept an ACE appraisal waiver offer when adverse physical property conditions are minor (e.g., minor cracks in windows, damaged or missing trim), and the subject property condition meets Freddie Mac's property eligibility requirements (**Note:** *If the adverse physical property conditions are not minor (e.g., active roof leaks, damaged or failing foundation), a PDR or an appraisal is required.*)
  - revised requirements to reflect that if a PDR has been obtained, the lender may not accept an ACE appraisal waiver offer
- For **ACE+ PDR**, clarified requirements to state that Truist continues to require use of special feature code (SFC) J44 to identify a mortgage originated with an ACE+ PDR offer (**Reminder:** *Use of SFC J44 is also required to identify mortgages that have been upgraded from ACE+ PDR to a hybrid appraisal.*)

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

## Bulletin Details, continued

### Revised Age of Tax Return Requirements

For LPA loans, we revised age of tax return requirements to reflect dates specific to the 2024 tax year.

### Condo Project Advisor Project Certified Submission (PCS): Age of Questionnaire

For LPA loans, we revised the *Condominium and PUD Approval Requirements Standard* document to include the revised age of questionnaire requirement for the PCS process in Condo Project Advisor previously announced in Product Release Bulletin [COR25-012](#).

### Standards Improvements Updates

All other updates made to the topics/subtopics/requirements outlined below were in support of our standards improvement initiative. With these additional updates, we refreshed LPA requirements to promote consistency and/or to more closely align with Freddie Mac's presentation of guidance (*intent of requirements remained the same*):

- Income / General Income Documentation Requirements / When Tax Returns are Required
- Appraisal Requirements / Appraisal Report Forms and Exhibits
- Appraisal Requirements / Desktop Appraisals
- Appraisal Requirements / Freddie Mac's LPA Automated Collateral Evaluation (ACE)
- Appraisal Requirements / Freddie Mac's LPA Automated Collateral Evaluation+ Property Data Report (ACE+ PDR)

### Before and After Matrices

- [Click here](#) to see the before and after matrix that provides a detailed overview of the DU Validation Service military income and employment eligibility related standard revisions.
- [Click here](#) to see the before and after matrix that provides a detailed overview of the LPA standard revisions announced in this product release bulletin.

**Note:** See Product Release Bulletin [COR25-012](#) to access the before and after matrix that provides a detailed overview of the previously announced revised age of questionnaire requirement for the PCS process in Freddie Mac's Condo Project Advisor.

### Revised Materials

Click [Condominium and PUD Approval Requirements Standard](#), [Agency Loan Standard](#), and [Texas Section 50\(a\)\(6\) Mortgages Standard](#) 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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