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Agency Standards Revisions and DU Version 11.1 Updates

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

- revise Loan Product Advisor® (LPASM) requirements related to the following:
 - acceptable sources of large deposits
 - attorney opinion of title letters
 - inquiries generated by credit reports
 - reserve requirements for concurrent mortgage applications
 - IRS Form 8821 as an acceptable alternate form in lieu of IRS Form 4506-C
- clarify Truist’s credit score requirement that continues to apply for loans purchased using the borrower cash flow credit assessment feature through LPA
- incorporate the definition of closing costs

We announce that Fannie Mae will implement updates to Desktop Underwriter® (DU®) Version 11.1 this weekend, July 20, 2024. Changes in the DU release will include messaging updates related to the following: Duty to Serve, potential red flag occupancy on the loan casefile, Housing Choice Voucher Homeownership Program (more commonly known as Section 8), and appraiser credential requirements

We also refresh general asset (non-AUS and DU) and “Rent Payment History Included in Loan Product Advisor’s Assessment” requirements to more closely align with Fannie Mae and Freddie Mac’s presentation of guidance (*intent of requirements remain the same*).

Effective Dates

- The LPA acceptable sources of large deposits update is effective for new loan applications dated on or after July 19, 2024.
- The DU release related changes will apply to DU Version 11.1 loan casefiles submitted or resubmitted to DU on or after the weekend of July 20, 2024.
- All other updates are effective immediately for existing and new loan applications on or after July 19, 2024.

Background Information

Fannie Mae SEL-2024-04 and Freddie Mac Bulletin 2024-6 announced updates impacting various Agency requirements. In Desktop Underwriter/Desktop Originator Release Notes DU Version 11.1 July Update, Fannie Mae announced DU Version 11.1 related updates. 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

Acceptable Sources of Large Deposits

For LPA loans, we updated requirements to limit acceptable sources of large deposits to the following:

- the borrower's income
- funds awarded to the borrower (e.g., disaster relief funds, lottery winnings, court-awarded settlement) provided the source is not an interested party to the real estate or mortgage transaction
- funds derived from currently published eligible asset types (e.g., borrower personal funds and other eligible sources of funds)

Attorney Opinion of Title Letters

For LPA loans, we updated attorney opinion of title letters requirements as follows:

- expanded the types of mortgages that are eligible for purchase with an attorney opinion of title letter, including:
 - mortgages secured by a unit in a condominium project, and
 - mortgages secured by a property subject to restrictive agreements or restrictive covenants
- included additional specificity for both the attorney opinion of title letter and attorney requirements

Credit Report Inquiries

For LPA loans, we updated credit report standards requirements to reflect that a credit report must generate an inquiry that can be identified on subsequent credit reports (i.e., the credit report must be a hard pull).

Reserves Requirement for Concurrent Mortgage Applications

For LPA loans, we updated reserves requirements to specify that when a lender is processing multiple mortgage applications for the same borrower, the same assets may be used to meet the reserve requirements for each mortgage transaction.

IRS Form 8821 as an Acceptable Alternate Form in Lieu of IRS Form 4506-C

For LPA loans, we clarified requirements to reflect that IRS Form 8821 is an acceptable alternate form in lieu of IRS Form 4506-C.

Borrower Cash Flow in LPA's Credit Assessment

Freddie Mac recently removed the requirement that at least one borrower on the transaction must have a usable credit score for LPA to consider borrower cash flow in the credit assessment. Truist is **not** aligning with this update and continues to require that at least one borrower on the loan must have a credit score (*an existing overlay*). All loans purchased using the borrower cash flow credit assessment feature though LPA must continue to comply with Truist's published credit score requirements.

Bulletin Details, continued

Closing Costs Definition

Fannie Mae recently updated their definition of closing costs to include items related to the real estate and financing transactions. The revised definition reads as follows: *Amounts paid in connection with the closing, typically itemized under "Closing Cost Details" on the Closing Disclosure. These generally include: (a) loan-related amounts such as origination fees, discount points, title exam, lender's title insurance, appraisal fees, and prepaid items such as taxes and insurance escrow payments; and (b) other costs, such as owner's title insurance, real estate agent commissions, inspections, and transfer taxes.*

We aligned with Fannie Mae and added reference to this updated definition to our published Agency requirements.

DU Version 11.1 Updates

- **Duty to Serve Updates:**
 - The Observation messages specifying that the loan casefile appears to meet the Duty to Serve eligibility requirements will no longer be issued on cash-out refinance loan casefiles.
 - The messages will also be updated to remove the requirement for Special Feature Code (SFC) 874 (Duty to Serve LLPA Waiver) to be provided when the loan is sold to Fannie Mae, as SFC 874 is now automatically derived as a part of Truist's loan delivery process. In response to this change, Truist **removes** the SFC 874 Correspondent lender notification requirement for Fannie Mae loans (non-AUS and DU) meeting Duty to Serve requirements (previously announced in Product Release [COR23-013](#)).
- **Potential Red Flag Occupancy Message:** DU will be updated to issue a new message reminding lenders to confirm the accuracy of the occupancy on the loan casefile. This message will be issued when the loan is submitted as an investment property and later changed to a primary residence.
- **Housing Choice Voucher Homeownership Program:** Product Release [COR24-038](#) clarified Housing Choice Voucher Homeownership Program payments (more commonly known as Section 8 payments) requirements. The DU message will be updated to reflect these clarifications.
- **Appraiser Credential Requirements:** DU will be updated to issue a new message on loan casefiles where the loan amount is \$1,000,000 or more, requiring that the lender confirm the appraiser credential is Certified Residential or higher.

Other Agency Standards Improvement Updates

In support of our standards improvement initiative, we refreshed requirements in the following topics/subtopics to more closely align with Fannie Mae and Freddie Mac's presentation of guidance (*intent of requirements remained the same*):

- Cash Requirements / General Asset Information (non-AUS and DU)
- Cash Requirements / Assets (HomeReady DU)

Bulletin Details, continued

Other Agency Standards Improvement Updates, continued

- [Underwriting the Borrower / Rent Payment History Included in Loan Product Advisor’s Assessment](#)

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 [Title Insurance Standard](#), [Agency Loan Standard](#), [Fannie Mae HomeReady®](#) and [Freddie Mac Home Possible® Mortgages Standard](#), and [Agency Overlay Matrix](#) 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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