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Builder Standby/Forward Commitments, LPA Income, and Other Agency Revisions

Truist Bank (Truist) provides overlay relief and announces that Agency non-AUS, Desktop Underwriter® (DU®), and Loan Product Advisor® (LPASM) mortgages with a reduced interest rate due to a builder standby/forward commitment are now eligible for purchase by Truist.

We revise Agency LPA requirements to align with recently announced Freddie Mac income underwriting and documentation requirements updates related to:

- self-employed income
- income from non-arm's length employment
- calculation of income from fluctuating hourly employment
- social security retirement and social security disability income types

We also revise the *Condominium and PUD Approval Requirements Standard* document to include updates related to the Condo Project Advisor Project Assessment Request (PAR) enhancement previously announced in Product Release Bulletin [COR24-061](#).

Effective Dates

- As previously announced, the Condo Project Advisor PAR related enhancement was effective September 29, 2024, for existing and new LPA submissions.
- The self-employed income related updates are effective immediately for new loan applications on or after October 25, 2024.
- All other updates are effective immediately for existing and new loan applications on or after October 25, 2024.

Background Information

Previously, we announced that mortgages with rates provided based on a builder standby/forward commitment were ineligible for purchase by Truist. Since that time, we identified the need to allow the purchase of loans originated under builder standby/forward commitments (in accordance with updates announced in Fannie Mae SEL-2024-04 and Freddie Mac Bulletin 2024-7). Freddie Mac Bulletin 2024-10 announced various updates to income underwriting and documentation requirements. In response to the above referenced publications, we reviewed impacted standard documents and implemented revisions to align with Fannie Mae and Freddie Mac requirements. Additionally, we take the opportunity to incorporate previously announced Condo Project Advisor PAR related updates into the impacted *Condominium and PUD Approval Requirements Standard* document.

Bulletin Details

Builder Standby/Forward Commitments

For non-AUS, DU, and LPA loans, we revised requirements to permit the purchase of mortgages with a reduced interest rate due to a builder standby/forward commitment. Fees for standby/forward commitments that a builder pays to a lender before entering into a sales contract with a borrower are not subject to interested party contribution limits because they are not attributable to the specific loan transaction. The following Special Feature Codes (SFCs) are required at the time of loan delivery (to Truist) to identify loans that are originated with a reduced interest rate due to a builder standby/forward commitment:

- For non-AUS and DU loans, use **SFC 887**
- For LPA loans, use **SFC J70**

Self-Employed Income

For LPA loans, we incorporated the following clarifications and updates related to self-employed income:

- **Self-Employed History of Less than Two Years:**
 - specified that the borrower must have a combined two-year history of receipt of income from the current self-employment and the prior job in the same or similar occupation or industry
 - specified that the qualifying income must be determined by using the lesser of the stable monthly income from the new business or the stable monthly income earned in the previous occupation
- **Business Structure Changes:** Added guidance and requirements to address business structure changes (e.g., the borrower's business structure changed from a sole proprietorship to an S-corporation), including requiring that there must be no change in the borrower's percentage of ownership interest in order for the current and prior business structures to be considered the same business

We also refreshed the presentation of our self-employed income requirements to align with Freddie Mac's recent reformatted presentation of this guidance (*with these changes, requirements intent remained the same*).

Employed Income: Non-Arm's Length Employment

For LPA loans, we revised requirements to:

- permit the use of the Internal Revenue Service (IRS) wage and income transcript for the most recent year in lieu of the tax returns, and
- specify that the documentation must validate the prior year earnings from current employment and support the current income level; if the current income level is not supported, lenders may use the validated income amount from the prior year as qualifying income

Calculation of Income from Fluctuating Hourly Employment

For LPA loans, we revised requirements to specify that in certain instances, the income average for fluctuating earnings may be based on a shorter number of months than the standard requirement.

Bulletin Details, continued

Documentation for Social Security Retirement and Social Security Disability Income Types
For LPA loans, we expanded documentation requirements for social security retirement and social security disability income types to permit IRS Form 1099-SSA and pages 1 and 2 of the borrower’s most recent federal individual income tax return or pages 1–3 if the tax return was filed using IRS Form 1040-SR. When using tax returns that were filed jointly with an individual who is not a borrower on the transaction, additional documentation is required to support the amount of social security income being used for qualifying.

Condo Project Advisor PAR

For LPA loans, we revised the *Condominium and PUD Approval Requirements Standard* document to include updates related to the Condo Project Advisor PAR enhancement previously announced in Product Release Bulletin [COR24-061](#).

Before and After Matrices

- [Click here](#) to see the before and after matrix that provides a detailed overview of the builder standby/forward commitments related revisions.
- [Click here](#) to see the before and after matrix that provides a detailed overview of the LPA income underwriting and documentation requirements revisions.
- [Click here](#) to see the before and after matrix that provides a detailed overview of the LPA Condo Project Advisor PAR related revisions.

Revised Materials

Click [Condominium and PUD Approval Requirements Standard](#), [Agency Loan 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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