

Agency Standards Revisions and DU Version 12.0 Updates

Truist Bank (Truist) revises Agency non-AUS, Desktop Underwriter® (DU®), and Loan Product Advisor® (LPASM) requirements to align with recently announced Fannie Mae and Freddie Mac updates. With these updates we:

- revise non-AUS and DU requirements to reflect that Fannie Mae's Income Calculator may now be used to calculate rental property income reported on IRS Schedule E, Part I
- retract the LPA requirement related to including the full risk flood insurance premium when calculating the housing expense-to-income and debt payment-to-income ratios
- revise LPA requirements for the documentation and calculation of rental income for certain non-subject investment properties and 2- to 4-unit primary residences

We announce that Fannie Mae will implement updates to DU Version 12.0 this weekend, May 17, 2025. Changes in the DU release will include updates related to the following:

- Value Acceptance, Value Acceptance + Property Data, and Hybrid Appraisals
- Refinance of Fannie Mae Loans
- Area Median Income Limit Message
- Other Messaging Updates to align DU with currently published Fannie Mae requirements

We revise the impacted standard document to reflect the new Freddie Mac Income Calculator requirements and standards improvement updates previously announced Product Release Bulletin [COR25-026](#). We also refresh various Agency requirements to eliminate duplication and/or to more closely align with Fannie Mae and Freddie Mac's wording and/or presentation of guidance (*requirements intent remain the same*).

Effective Dates

- As previously announced, the new Freddie Mac Income Calculator related updates were effective for Freddie Mac Income Calculator submission and LPA submissions and resubmissions on or after May 11, 2025.
- The DU release related changes will apply to DU Version 12.0 loan casefiles submitted or resubmitted to DU on or after the weekend of May 17, 2025.
- All other updates are effective immediately for existing and new loan applications on or after May 16, 2025.

Background Information

Fannie Mae SEL-2025-02 announced updates related to Fannie Mae's Income Calculator. In Desktop Underwriter/Desktop Originator Release Notes DU Version 12.0 May Update, Fannie Mae announced DU Version 12.0 related updates. Freddie Mac Bulletin 2025-1 announced rental income related updates.

Background Information, continued

Freddie Mac Bulletin 2025-4 introduced the new Freddie Mac Income Calculator and announced the delay (until further notice) of the effective date of the requirement to include the full risk flood insurance premium in the housing expense-to-income and debt payment-to-income ratios. 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 Freddie Mac Income Calculator and standards improvement updates into the impacted standard document. Additionally, in response to Freddie Mac's recent reformatting of various sections in their *Seller Guide* (announced in Freddie Mac Bulletins 2024-10 and 2025-1) and in support of our standards improvement initiative, we identified opportunities to improve the presentation of our published Agency requirements.

Bulletin Details

Fannie Mae's Income Calculator – Schedule E Rental Income

For non-AUS and DU loans, we revised requirements to reflect that Fannie Mae's Income Calculator may now be used to also calculate rental property income reported on IRS Schedule E, Part I.

Flood Insurance Premium Used for Qualifying

For LPA loans, we retracted the requirement related to the use of the full risk flood insurance premium to calculate the housing expense-to-income and debt payment-to-income ratios for mortgages when a flood insurance policy on the mortgaged premises showed a full risk premium and a discounted premium (*previously announced in Product Release Bulletin [COR24-047](#)*). This retraction is in response to Freddie Mac's notification that they are delaying, until further notice, the effective date of this requirement. As a result of this retraction, when a flood insurance policy shows a full risk premium and a discounted premium, qualifying the borrower using the discounted flood insurance premium is acceptable.

Rental Income

For LPA loans, we revised requirements for the use of rental income from a **non-subject investment property or 2- to 4-unit primary residence** purchased or placed in service in the current calendar year as summarized below:

- The lease, *if available*, must be used to determine the net rental income.
 - **For a Non-Subject Investment Property:** Form 72, *Small Residential Income Appraisal Report*, or Form 1000, *Single Family Comparable Rent Schedule*, as applicable, may be used to document and calculate rental income when all of the following apply:
 - Property was purchased on or up to 45 days before the note date of the subject transaction
 - Lease is not available because the property is not yet rented
 - Each borrower currently owns or rents a primary residence
 - Net rental income is used only to offset the monthly payment, unless at least one borrower has a minimum of one year of investment property management experience

Bulletin Details, continued

Rental Income, continued

- **For a Non-Subject 2- to 4-Unit Primary Residence:** Form 72 may be used to document and calculate rental income when all of the following apply:
 - Property was purchased on or up to 45 days prior to the note date of the subject transaction
 - Lease is not available because the property is not yet rented.

Note: Prior to today's update, requirements stated that a lease must be used to determine the net rental income; if the property was not yet rented and the lease was not available, rental income could not be used to qualify.

DU Version 12.0 Updates

Highlights of the DU Version 12.0 updates are outlined in the table below:

Topic	Update
Value Acceptance, Value Acceptance + Property Data, and Hybrid Appraisals	Currently when DU determines that a loan casefile is eligible for value acceptance, value acceptance + property data, or a hybrid appraisal, the Construction Loan Type in the loan application data is not taken into consideration. With this update, loan casefiles with a Construction Loan Type of Construction-to-Permanent will not be eligible for value acceptance, value acceptance + property data, or a hybrid appraisal. This will align DU with published requirements where "proposed construction" and "construction-to-permanent loans" are specified as ineligible for these property assessment and valuation options.
Refinance of Fannie Mae Loans	There are messages in DU that look for Fannie Mae as the Owner of Existing Mortgage, as provided in the loan application data, that are issued on certain limited cash-out refinance transactions with LTV ratios over 95% and certain condo transactions eligible for a waiver of the project eligibility review. With this update, when DU identifies that the borrower's existing mortgage loan is a Fannie Mae loan (via message on the DU Findings Report), the lender will no longer need to document that the loan being refinanced is currently owned by Fannie Mae.
Area Median Income Limit Message	The message that specifies the area median income (AMI) for the area in which the property is located will be updated to also include the version of the AMI used by DU. For example, if the loan casefile was created on or after May 18, 2025, the 2025 AMI will be used and "2025" will be shown in the message; if created prior to May 18, 2025, "2024" will be shown in the message as the AMI file used.
Other Messaging Updates to align DU with Currently Published Fannie Mae Requirements	<ul style="list-style-type: none"> • Temporary Interest Rate Buydowns: A new message will be issued on loan casefiles with temporary interest rate buydowns reminding lenders what is considered a moderate interest rate buydown, what is considered a significant interest rate buydown, and what Special Feature Code (SFC) should be provided at loan delivery in each case. (Reminder: Truist does not permit the purchase of loans with a significant interest rate buydown. Moderate interest rate buydowns only are permitted.) • Leasehold Provisions: The message issued on loan casefiles for leasehold estates will be updated to remind lenders to verify that the unexpired term of the ground lease exceeds the maturity date of the loan by five years or more (as previously announced in Product Release Bulletin COR25-009). • Limited Cash-Out Refinances: Product Release Bulletin COR25-009 announced two additional exceptions to the requirement that at least one borrower is an owner (on title) of the subject property at the time of the initial application for a limited cash-out refinance. The DU message issued on limited cash-out refinance transactions will be updated to remind lenders to refer to the Fannie Mae <i>Selling Guide</i> for these exceptions.

Bulletin Details, continued

DU Version 12.0 Updates, continued

Topic	Update
Other Messaging Updates to align DU with Currently Published Fannie Mae Requirements, (continued)	<ul style="list-style-type: none"> Rental Income: Published requirements state that if the borrower does not own a primary residence and does not have a current housing expense, rental income from the subject property cannot be used, and rental income from a new non-subject property (new or newly placed in service less than a year) cannot be used. The following updates will be made in DU to remind lenders of this requirement: <ul style="list-style-type: none"> The documentation messages for subject rental income and non-subject rental income will be updated. The message issued requiring the amount of the rental housing expense to be verified and documented will also be issued on 2- to 4-unit primary residence transactions. A new message will be issued when the borrower does not have a present housing expense disclosed on the loan application and subject property rental income provided on the loan application is used to qualify the borrower. Other Employment Income: The message issued when an employment income type of Other is provided on the loan application will now be issued anytime that income type is provided for the primary employment for a borrower who is not self-employed. This message will also be updated to remind lenders that if the other employment income is business income and the borrower's ownership share is less than 25%, the most recent two years of signed individual federal income tax returns and the most recent two years of IRS Schedule K-1 need to be obtained. The messages issued on second jobs for borrowers who are not self-employed will also be updated with this same reminder. (Note: Any employer on the loan application where the borrower has indicated they are self-employed, but the ownership share is less than 25% are not considered self-employed by DU.)

Freddie Mac's New Income Calculator

For LPA loans, we revised the *Agency Loan Standard* document to include the new Freddie Mac Income Calculator and standards improvement updates previously announced in Product Release Bulletin [COR25-026](#).

Additional Freddie Mac Income Calculator Resources:

- [Freddie Mac Income Calculator](#) webpage
- [Freddie Mac Income Calculator Frequently Asked Questions \(FAQs\)](#)

Standards Improvements Updates

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

- Refreshed LPA Requirements:**
 - Rental Income
 - Eligibility of a Property with an ADU
 - Home Possible® Mortgages: Boarder Income

Bulletin Details, continued

Standards Improvements Updates, continued

- **Eliminated Duplication:**
 - **DU Purchase and Limited Cash-Out Refinance Transactions with LTV, TLTV, or HTLTV Ratios of 95.01 – 97%:** To eliminate duplication, the “at least one borrower on the loan must have a credit score” requirement was removed from this subsection and now resides under the “Credit Score Requirements” subtopic only. This credit score requirement is an existing overlay.
- **Relocated Requirements:**
 - **Fannie Mae’s HomeStyle® Renovation Mortgage / Freddie Mac’s CHOICERenovation® Mortgage:** For HomeReady loans, relocated DU specific guidance from the Non-AUS requirements section to the DU requirements section.

Before and After Matrices

- [Click here](#) to see the before and after matrix that provides a detailed overview of all non-AUS and DU standard revisions.
- [Click here](#) to see the before and after matrix that provides a detailed overview of all LPA standard revisions.

Revised Materials

Click [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 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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