Agency Standards Revisions

***Note**: Truist specific overlays are underlined.*

<table>
<tr><th>Topic</th><th>Impacted Document</th><th>Impacted Products</th><th>Current Standards</th><th>Revised Standards
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<tr>
<td>General Income Information</td>
<td>Correspondent Section 2.01 Agency Loan Standard</td>
<td>• Standard Agency (LPA)
• Agency Plus (LPA)
• Agency Plus Select (LPA)
• Home Possible® Mortgage (LPA)
• Texas Section 50 (a)(6) Mortgages (LPA)</td>
<td>
General Income Information > Employed Income > Primary and Secondary Employment and Income

Freddie Mac LPA

***Note**: Below is an EXCERPT only of the content from the above referenced section.*

• **Employment Characteristics**
• For all employment characteristics below, the lender must determine whether the employment represents primary or secondary employment and use the applicable requirements for history, continuance, earnings type, documentation, and calculation outlined in this section and in conjunction with the “General Requirements for All Stable Monthly Income” and “General Documentation Requirements” sections outlined in this document, unless specifically stated otherwise. For certain employment characteristics, additional documentation and/or analysis may be needed, as described below.

<table>
<tr><th colspan="2">Employment Characteristics</th><th>Additional Requirements</th></tr>
<tr><td colspan="3">***Note**: Below is an EXCERPT only of the table from the above referenced section.*</td></tr>
<tr><td>**Income reported on Internal Revenue Service (IRS) Form 1099**</td><td>At times, borrowers receive IRS Form 1099(s) for services performed; this pay structure is often referred to in terms such as contractor or contingent worker.

Income received on IRS Form 1099 for services performed may be reported on Schedule C and may represent a sole proprietorship. If the lender determines that the borrower is a sole proprietor, refer to the self-employment income requirements and guidance subsequently presented in this document. Factors the lender may consider when determining whether income reported on Schedule C is representative of a sole proprietorship include, but are not limited to, the principal business or profession, gross receipts or sales, cost of goods sold and the type and level of expenses reported.</td><td>• All 1099s for the most recent two-year period, and
• YTD paystubs or YTD earnings statements received by the borrower, and
• Complete federal individual income tax returns covering the most recent one-year period, and
• The lender must determine if more information and documentation is needed for determining stable monthly income</td></tr>
</table>
</td>
<td>
General Income Information > Employed Income > Primary and Secondary Employment and Income

Freddie Mac LPA

***Note**: Below is an EXCERPT only of the content from the above referenced section.*

• **Employment/income characteristics**
• For all employment and/or income characteristics below, the lender must determine whether the employment and/or income represents primary or secondary employment and/or income and use the applicable requirements for history, continuance, earnings type, documentation, and calculation in this section and in conjunction with the “General Requirements for All Stable Monthly Income” and “General Documentation Requirements” sections outlined in this document, unless specifically stated otherwise. For certain employment and/or income characteristics, additional documentation and/or analysis may be needed, as described below.

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<tr><th colspan="2">Employment/ Income Characteristics</th><th>Additional Requirements</th></tr>
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<tr><td>**Income reported on Internal Revenue Service (IRS) Form 1099 for services performed**</td><td>At times, borrowers receive IRS Form 1099(s) for services performed; this pay structure is often referred to in terms such as contractor or contingent worker.

Income received on IRS Form 1099 for services performed may be reported on Schedule C and may represent a sole proprietorship. ~~If the lender determines that the borrower is a sole proprietor, refer to the self-employment income requirements and guidance subsequently presented in this document.~~ The lender must treat this income either as:
• Self-employed income in accordance with the requirements in the section “Self-Employed Income” within this document,
OR
• Non-self-employed income in accordance with the requirements in this section if the IRS Schedule C from the most recent calendar</td><td>**Minimum documentation:**
• All 1099s for the most recent two-year period, and
• YTD paystubs ~~or~~ and/or other equivalent and reasonably reliable third-party documentation (e.g., YTD earnings statements or evidence of payments for services performed) documenting YTD income received by the borrower, and
• Pages 1 and 2 of the Borrower's ~~Complete~~ federal individual income tax returns and the applicable schedules (i.e., Schedule C, Schedule 1) covering the most recent one-year period. ~~and~~
• ~~The lender must determine if more information and documentation is needed for determining stable monthly income~~
History of receipt: Most recent two years; however, in certain instances, a shorter history of income with this pay structure may still be considered stable if the Seller provides a written analysis and sufficient supporting documentation justifying the determination of stability (e.g., a prior history of employment earnings at a similar level). In no event may the history of receipt for this pay structure documented on the tax returns be less than 12 months.</td></tr>
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<table>
<tr><td></td><td>year tax return evidences that:
Gross receipts or sales are equal to the total amount(s) reported on the IRS Form 1099(s).
Total expenses are < 5% of gross receipts or sales, after deducting non-cash expenses (e.g., depreciation)
Cost of goods sold = $0, and
12-month history of 1099 income and reported expenses is present
If the above expense factor is not met but expenses are within a close range (e.g., 6%), the Seller may perform additional analysis to determine whether income reported on Schedule C remains characteristic of non-self-employed income. Factors the lender may consider when ~~determining whether income reported on Schedule C is representative of a sole proprietorship~~ making this determination include, but are not limited to, the principal business or profession, gross receipts or sales, cost of goods sold, and the type and level of expenses reported. If the lender determines that the Borrower is a sole proprietor, refer to the requirements and guidance the section “Self-Employed Income” within this document.</td><td>Continuance: Must be likely to continue for at least the next three years.
Calculation: Average must be based on the required and documented history of receipt and support a consistent level of income in accordance with the requirements of the section “General Requirements for All Stable Monthly Income” within this document. The 1099 income must be reduced by the expenses (excluding non-cash items) reported on Schedule C. Apply an average of the verified expenses to the 1099 income without verified expenses.
<table>
<tr><th colspan="2">Calculation Example</th></tr>
<tr><td colspan="2">Scenario: Borrower has an 18-month history of documented 1099 income, with 12 months of income and expenses reflected on the most recent Schedule C and reasonably reliable verification of YTD income for the most recent 6 months. Prior employment (W-2) for 5 years with similar income level and employment field.</td></tr>
<tr><td>1099(s) reported as gross receipts/sales:</td><td>(+) $100,000</td></tr>
<tr><td>Less: Schedule C Expenses (less non-cash expenses)</td><td>(-) $ 4,000 (4%)</td></tr>
<tr><td>Subtotal (most recent year Schedule C)</td><td>$96,000</td></tr>
<tr><td>Verified YTD 1099 income (6 months):</td><td>(+) 50,000</td></tr>
<tr><td>Less: 4% expense rate (based on most recent year Schedule C)</td><td>(-) $2,000 (4%)</td></tr>
<tr><td>Subtotal (Current YTD)</td><td>$48,000</td></tr>
<tr><td>Income calculation: $144,000 (combined subtotals) / 18 months</td><td>$8,000/mo</td></tr>
<tr><td colspan="2">The lender must determine if more</td></tr>
</table></td></tr>
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Lenders are encouraged to complete a pre-closing verification confirming that the Borrower continues to perform services for the provider(s) of the 1099 income as close to the Note Date as possible.</td></tr></table></td></tr>
<tr><td>Gift Funds</td><td>Correspondent Section 2.01 Agency Loan Standard</td><td>• Standard Agency (LPA)
• Agency Plus (LPA)
• Agency Plus Select (LPA)
• Home Possible® Mortgage (LPA)</td><td>Cash Requirements / Deposit on Sales Contract

Freddie Mac LPA
Follow LPA requirements, which are as follows:
• When an EMD for a purchase transaction is used to qualify the borrower for the mortgage transaction, the lender must obtain evidence that the EMD check cleared the borrower's account (e.g., copy of the canceled check, asset account statement or written statement from the EMD holder verifying receipt of the funds).
• When the EMD is needed to meet the minimum contribution from borrower personal funds, the lender must:
• Verify that the source of the EMD is an eligible asset type and document it in accordance with the applicable requirements in this topic
• Provide account statement(s) (based on Streamlined Accept or Standard documentation requirements, as applicable) or a direct account verification (i.e., VOD) that covers the period up to and including the date the EMD funds cleared the account
• The EMD must not be counted twice in the evaluation of the mortgage (i.e., deducted from the funds to close and counted in assets).

Cash Requirements / Gift Funds

Freddie Mac LPA

<i>Note: Below is an EXCERPT only of the content from the above referenced section.</i>

Follow LPA requirements, which are as follows:
• Eligibility and documentation requirements are as follows:
<table><tr><th>Asset Type</th><th>Eligibility Requirements</th><th>Streamlined Accept and Standard</th></tr><tr><td>Gift Funds or a Gift of Equity</td><td>• Gift funds or a gift of equity is an eligible source of funds for a mortgage secured by a primary residence or second home provided that:</td><td>• Provide a gift letter signed by the donor. Information provided in the gift letter must:
• State the donor's name</td></tr></table></td><td>Cash Requirements / Deposit on Sales Contract

Freddie Mac LPA
Follow LPA requirements, which are as follows:
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• When the EMD is needed to meet the minimum contribution from borrower personal funds, the lender must:
• Verify that the source of the EMD is an eligible asset type and document it in accordance with the applicable requirements in this topic
• Provide account statement(s) (based on Streamlined Accept or Standard documentation requirements, as applicable) or a direct account verification (i.e., VOD) that covers the period up to and including the date the EMD funds cleared the account
• The EMD must not be counted twice in the evaluation of the mortgage (i.e., deducted from the funds to close and counted in assets).
• If the source of the borrower's EMD is gift funds, see the "Gift Funds" subtopic subsequently presented in this topic, for additional information.

Cash Requirements / Gift Funds

Freddie Mac LPA

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Topic	Impacted Document	Impacted Products	Current Standards			Revised Standards Effective for EXISTING and NEW Loan Applications ON OR AFTER November 18, 2022		
				• The funds are from a related person, and • The funds do not have to be repaid • When a mortgage is secured by a second home and the LTV/TLTV/HTLTV ratio is greater than 80%, the gift is permitted only if the borrower has made a down payment of at least 5% from borrower personal funds as described in the “Special Requirements for Borrower Personal Funds” section of the “General Asset Information” subtopic previously presented in this topic. • Gift funds or a gift of equity are not an eligible source of funds for investment property mortgages. • Gift funds must be transferred directly from the donor’s account in a financial institution to the borrower’s account or to the settlement or closing agent.	and that the funds are given by a related person • Include the donor's mailing address and telephone number • State the amount of the gift funds or gift of equity • Establish that the gift funds or gift of equity are a gift that does not have to be repaid • **Gift Funds**: The lender must provide evidence of one of the following: • Transfer of funds from the donor’s account in a financial institution to the borrower’s account. For example, copies of bank statements from both the donor and the borrower’s accounts, a copy of a canceled gift check or a copy of a donor’s withdrawal slip and the borrower’s deposit slip, or • Transfer of funds from the donor’s account in a financial institution to the settlement or closing agent. For example, a copy of a cashier’s check or wire transfer confirmation. **Note**: Funds transferred using a third party money transfer application or service are acceptable only when the documentation included in the mortgage file evidences that the funds were transferred using the		provided that: • The funds are from a related person, and • The funds do not have to be repaid • When a mortgage is secured by a second home and the LTV/TLTV/HTLTV ratio is greater than 80%, the gift is permitted only if the borrower has made a down payment of at least 5% from borrower personal funds as described in the “Special Requirements for Borrower Personal Funds” section of the “General Asset Information” subtopic previously presented in this topic. • Gift funds or a gift of equity are not an eligible source of funds for investment property mortgages. • Except as stated below for earnest money deposits, gift funds must be transferred directly from the donor’s account in a financial institution to the borrower’s account or to the settlement or closing agent. • For earnest money deposits, the donor may also provide the gift funds directly to a builder or real estate agent.	and that the funds are given by a related person • Include the donor's mailing address and telephone number • State the actual or the maximum amount of the gift funds or gift of equity • Establish that the gift funds or gift of equity are a gift that does not have to be repaid • **Gift Funds**: The lender must provide evidence of one of the following: • Transfer of funds from the donor’s account in a financial institution to the borrower’s account. For example, copies of bank statements from both the donor and the borrower’s accounts, a copy of a canceled gift check or a copy of a donor’s withdrawal slip and the borrower’s deposit slip, or • Transfer of funds from the donor’s account in a financial institution to the settlement or closing agent. For example, a copy of a cashier’s check or wire transfer confirmation. • For an earnest money deposit paid by the donor directly to the builder or real estate agent, transfer of funds from the donor's account in a financial institution to the earnest money deposit holder. For example, a

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					application or service directly from the donor's bank account to the borrower's bank account or to the settlement or closing agent. • **Gift of Equity**: A gift of equity must be reflected on the Settlement/Closing Disclosure Statement.			copy of a canceled gift check, a copy of a cashier's check or wire transfer confirmation. **Note**: Funds transferred using a third party money transfer application or service are acceptable only when the documentation included in the mortgage file evidences that the funds were transferred using the application or service directly from the donor's bank account to the borrower's bank account or to the settlement or closing agent. • **Gift of Equity**: A gift of equity must be reflected on the Settlement/Closing Disclosure Statement.
			Gift Funds Received as a Wedding Gift	• Gift funds received as a wedding gift from unrelated persons and/or related persons is an eligible source of funds for a mortgage secured by a primary residence. • The gift funds must be on deposit in the borrower's depository account within 90 days of the date of the marriage license or certificate.	Provide the following: • A copy of the marriage license or certificate • A verification of the gift funds in the borrower's depository account	**Gift Funds Received as a Wedding Gift**	• Gift funds received as a wedding gift from unrelated persons and/or related persons is an eligible source of funds for a mortgage secured by a primary residence. • The gift funds must be on deposit in the borrower's depository account within 90 days of the date of the marriage license or certificate.	Provide the following: • A copy of the marriage license or certificate • A verification of the gift funds in the borrower's depository account
						Gift funds received as a graduation gift	• Gift funds received as a graduation gift from unrelated persons and/or Related Persons are an eligible source of funds for a Mortgage secured by a Primary Residence. • The gift funds must be on deposit in the Borrower's	Provide the following: • Evidence of graduation from an educational institution (e.g., diploma or transcripts) that supports the date of graduation • A verification of the gift

Topic	Impacted Document	Impacted Products	Current Standards	Revised Standards Effective for EXISTING and NEW Loan Applications ON OR AFTER November 18, 2022
				depository account within 90 days of the date of graduation. funds in the Borrower's depository account

GreenCHOICE® Mortgages	Correspondent Section 2.01 Agency Loan Standard
	&
	Correspondent Section 2.01a Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages Standard
		• Standard Agency (LPA)
		• Agency Plus (LPA)
		• Agency Plus Select (LPA)
		• Home Possible® Mortgage (LPA)
		• Texas Section 50 (a)(6) Mortgages (LPA)
			Section 2.01 Agency Loan Standard
			Eligible Transactions / Fannie Mae's HomeStyle® Energy for Improvements on Existing Properties/Freddie Mac's GreenCHOICE Mortgages℠
			Freddie Mac LPA Loans
			Follow LPA requirements, which are as follows:
			• GreenCHOICE Mortgages provide flexibility to finance the costs of energy and/or water efficiency improvements with the proceeds from a purchase or "no cash-out" refinance transaction.
			• Mortgages must be secured by a 1- to 4-unit property, including a condominium unit.
			• **Determination of Value for LTV/TLTV/HTLTV Ratios**
			  • **Purchase transaction**: The value is the lesser of:
			    • The "as completed" appraised value of the mortgaged premises, or
			    • The total acquisition cost (i.e., the price paid for the mortgaged premises plus the costs of the energy and/or water efficiency improvements). The mortgage file must contain sufficient documentation to calculate the total acquisition cost.
			  • **"No cash-out" refinance transaction to finance energy and/or water efficiency improvements**: The value is the "as completed" value of the mortgaged premises.
			  • **"No cash-out" refinance transaction in which proceeds are used to pay off existing outstanding energy and/or water efficiency related debt**: The value is the appraised value of the mortgaged premises.
			• **Purchase and "No Cash-Out" Refinance Mortgage Requirements**
			  • **Purchase and "no cash-out" refinance mortgage to finance energy and/or water efficiency improvements**
			    • The proceeds from a purchase or "no cash-out" refinance transaction may be used to finance energy and/or water efficiency improvements completed after the note date subject to the following requirements:
			      • The maximum amount of the proceeds that may be used for the purchase and installation of energy and/or water efficiency improvements is limited to 15% of the "as completed" value of the mortgaged premises. The lender must obtain and retain in the mortgage file copies of all invoices and/or receipts, as applicable, related to the cost of the energy and/or water efficiency improvements.
			      • Proceeds sufficient to cover the cost of the energy and/or water efficiency improvements must be deposited into a completion escrow account on the note date. The escrow account must meet the requirements for incomplete improvements, outlined in the "Postponed Improvements" subtopic (within the "Appraisal Requirements" topic).
			Truist Note: The correspondent lender owns the management of a completion escrow. The correspondent lender is responsible for follow-up on all outstanding escrow agreements. If the energy and/or water efficiency improvements are not made as agreed, Truist will hold the correspondent lender responsible for completing the energy improvements with the escrowed funds.
			      • The lender may reimburse the borrower from funds in the escrow account for costs
				Section 2.01 Agency Loan Standard
				Eligible Transactions / Fannie Mae's HomeStyle® Energy for Improvements on Existing Properties/Freddie Mac's GreenCHOICE® Mortgages
				Freddie Mac LPA Loans
				Follow LPA requirements, which are as follows:
				• GreenCHOICE Mortgages provide flexibility to finance the costs of energy and/or water efficiency improvements with the proceeds from a purchase or "no cash-out" refinance transaction.
				• Mortgages must be secured by a 1- to 4-unit property, including a condominium unit.
				• **Determination of Value for LTV/TLTV/HTLTV Ratios**
				  • **Purchase transaction**: The value is the lesser of:
				    • The "as completed" appraised value of the mortgaged premises, or
				    • The total acquisition cost (i.e., the price paid for the mortgaged premises plus the costs of the energy and/or water efficiency improvements). The mortgage file must contain sufficient documentation to calculate the total acquisition cost.
				  • **"No cash-out" refinance transaction to finance energy and/or water efficiency improvements**: The value is the "as completed" value of the mortgaged premises.
				  • **"No cash-out" refinance transaction in which proceeds are used to pay off existing outstanding energy and/or water efficiency related debt**: The value is the appraised value of the mortgaged premises.
				• **Purchase and "No Cash-Out" Refinance Mortgage Requirements**
				  • **Purchase and "no cash-out" refinance mortgage to finance energy and/or water efficiency improvements**
				    • The proceeds from a purchase or "no cash-out" refinance transaction may be used to finance energy and/or water efficiency improvements completed after the note date subject to the following requirements:
				      • The maximum amount of the proceeds that may be used for the purchase and installation of energy and/or water efficiency improvements is limited to 15% of the "as completed" value of the mortgaged premises. The lender must obtain and retain in the mortgage file copies of all invoices and/or receipts, as applicable, related to the cost of the energy and/or water efficiency improvements.
				      • Proceeds sufficient to cover the cost of the energy and/or water efficiency improvements must be deposited into a completion escrow account on the note date. The escrow account must meet the requirements for incomplete improvements, outlined in the "Postponed Improvements" subtopic (within the "Appraisal Requirements" topic).
				Truist Note: The correspondent lender owns the management of a completion escrow. The correspondent lender is responsible for follow-up on all outstanding escrow agreements. If the energy and/or water efficiency improvements are not made as agreed, Truist will hold the correspondent lender responsible for completing the energy improvements with the escrowed funds.
				      • The lender may reimburse the borrower from funds in the escrow account for costs

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			associated with materials purchased to complete improvements being made. The lender may not reimburse the borrower for any labor performed by the borrower. Any funds remaining in the escrow account after the cost of all improvements has been paid to the appropriate party must be used to reduce the UPB, unless the mortgage is delinquent. If the mortgage is delinquent, the lender must apply such funds in accordance with the application of payment requirements in the note and security instrument. If any funds remain after the mortgage is brought current, then the lender must apply the funds as set forth in this bullet for a current mortgage.
			• The lender must obtain an interior and exterior inspection appraisal with an "as completed" value of the subject property subject to the energy and/or water efficiency improvements being completed.
			• After completion of the improvements, the lender must have the appraiser:
			  • Inspect the property to verify that the improvements have been completed, and
			  • Provide the lender with a completion report on Form 442, *Appraisal Update and/or Completion Report*, which must include photographs of the completed items. The lender must retain the completion report in the mortgage file.
			• All energy and/or water efficiency improvements must be completed within 180 days of the note date.
			• The lender must obtain and retain in the mortgage file an energy report meeting Freddie Mac requirements outlined below, except as permitted in “Basic Energy and Water Efficiency Improvements” (below).
			• **"No cash-out" refinance mortgage to payoff existing outstanding energy and/or water efficiency related debt**
			  • The proceeds may be used to pay off an existing outstanding debt for funds that were used to finance energy and/or water efficiency improvements completed prior to the note date subject to the following:
			    • The maximum LTV,TLTV, and/or HTLTV ratios outlined in the applicable first mortgage product description apply
			
			Reference: See the “Fannie Mae’s HomeStyle® Energy for Improvements on Existing Properties/ Freddie Mac’s GreenCHOICE Mortgages℠” subtopic in Section 2.01a: Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages Standard for Home Possible specific guidance.
			
			    • The maximum payoff of outstanding energy related debt is limited to 15% of the appraised value of the property
			    • The mortgage file must include documentation (e.g., invoices, receipts, etc.) that the funds were used to pay off existing debt incurred for financing energy and/or water efficiency improvements completed prior to the note date.
			    • An interior and exterior inspection appraisal is required. The appraisal must reflect all energy and/or water efficiency improvements that were made. See “Energy Efficient Improvements” in the “Appraisal Analysis: Agency Loan Programs / Improvements Section of the Appraisal Report” topic/subtopic presented in Section 1.07: Appraisal Standard of the *Correspondent Seller Guide* for detailed appraisal requirements.
			    • The Settlement/Closing Disclosure Statement must reflect that the funds were paid directly to debt holder
			
			• **Basic Energy and Water Efficiency Improvements**
			  • For basic energy and/or water efficiency improvements with an aggregate cost less than or equal
				associated with materials purchased to complete improvements being made. The lender may not reimburse the borrower for any labor performed by the borrower. Any funds remaining in the escrow account after the cost of all improvements has been paid to the appropriate party must be used to reduce the UPB, unless the mortgage is delinquent. If the mortgage is delinquent, the lender must apply such funds in accordance with the application of payment requirements in the note and security instrument. If any funds remain after the mortgage is brought current, then the lender must apply the funds as set forth in this bullet for a current mortgage.
				• If the transaction is a "no cash-out" refinance transaction, remaining proceeds may be disbursed to the borrower, provided the total amount disbursed to the borrower at closing and from the unused funds does not exceed the standard maximum amount allowed, which is up to the greater of 1% of the new refinance mortgage or $2,000.
				• The lender must obtain an interior and exterior inspection appraisal with an "as completed" value of the subject property subject to the energy and/or water efficiency improvements being completed.
				• After completion of the improvements, the lender must have the appraiser:
				  • Inspect the property to verify that the improvements have been completed, and
				  • Provide the lender with a completion report on Form 442, *Appraisal Update and/or Completion Report*, which must include photographs of the completed items. The lender must retain the completion report in the mortgage file.
				• All energy and/or water efficiency improvements must be completed within 180 days of the note date.
				• The lender must obtain and retain in the mortgage file an energy report meeting Freddie Mac requirements outlined below, except as permitted in “Basic Energy and Water Efficiency Improvements” (below).
				• **"No cash-out" refinance mortgage to payoff existing outstanding energy and/or water efficiency related debt**
				  • The proceeds may be used to pay off or partially pay off an existing outstanding debt for funds that were used to finance energy and/or water efficiency improvements completed prior to the note date subject to the following:
				    • The maximum LTV,TLTV, and/or HTLTV ratios outlined in the applicable first mortgage product description apply
				
				Reference: See the “Fannie Mae’s HomeStyle® Energy for Improvements on Existing Properties/ Freddie Mac’s GreenCHOICE® Mortgages” subtopic in Section 2.01a: Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages Standard for Home Possible specific guidance.
				
				    • The maximum payoff of outstanding energy related debt is limited to 15% of the appraised value of the property
				    • If proceeds are used to partially pay off (pay down) outstanding energy related debt, the remaining balance must be included in the calculation of the debt payment-to-income ratio. If the remaining balance is re-amortized, the lender must obtain and maintain in the mortgage file sufficient documentation evidencing the new payment, including a copy of the new promissory note, if applicable.
				    • For "no cash-out" refinance transactions, remaining proceeds may be disbursed to the borrower, provided the total amount disbursed to the borrower at closing and from the unused funds does not exceed the standard maximum amount allowed, which is up to the greater of 1% of the new refinance mortgage or $2,000.

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			to $6,500, the requirements of this section must be met with the exception that an energy report is not required. The lender must document the cost of the energy and/or water efficiency improvements by obtaining copies of all receipts and/or invoices, as applicable, and retain these in the mortgage file. • Eligible basic energy and/or water efficiency improvements include the following: • Programmable thermostats • Caulking or weather stripping • Adding ceiling, wall or floor insulation • Air sealing • Air conditioning/heating replacement to high efficiency • Solar water heaters • Low-flow water fixtures • High efficient refrigerators/freezers, water heaters and light bulbs • Replacement of windows and doors • **Energy Reports** • **Eligible Energy Reports** • Energy reports must be one of the following: • A Home Energy Rating Systems (HERS) report completed by a certified Residential Energy Services Network (RESNET®) home energy rater • A Department of Energy Home Energy Score Report completed by a Home Energy Score Certified Assessor™ • Comparable rating report or audit completed by a certified home energy rater or consultant indicating the property is a high-performing energy-efficient property • **Energy Report Requirements** • Energy reports must: • Identify the recommended energy improvements and expected costs of the completed improvements • Specify the actual or expected monthly or annual energy savings, and • Verify that the recommended energy improvements are cost effective. Energy improvements are determined to be cost effective when the cost of the improvements, including maintenance, is less than the present value of the energy saved over the useful life of the improvements • Be dated no earlier than 120 days prior to the note date. The cost of the energy report may be included in the total cost of the improvements and must be identified on the settlement statement if the borrower is to be reimbursed. • **Energy Report Exception When Proceeds are Used to Finance Solar Panels** • In the event an energy report is not available to demonstrate the cost effectiveness of the solar panels, the cost effectiveness may be demonstrated by obtaining the invoice for the cost of the solar panels and comparing the cost of the panels to the income produced over the life of the panels. When the income produced exceeds the net cost (including any tax credits and rebates) of the solar panels, the cost effectiveness of the panels has been demonstrated. • The appraiser must document the projected income by utilizing PV Value, Ei Value, or a similar tool as referenced in "Energy Efficient Improvements" in the "Appraisal Analysis: Agency Loan Programs / Improvements Section of the Appraisal Report" topic/subtopic presented in Section 1.07: Appraisal Standard of the *Correspondent Seller Guide.* • **Special Feature Code Requirements**	• The mortgage file must include documentation (e.g., invoices, receipts, etc.) that the funds were used to pay off existing debt incurred for financing energy and/or water efficiency improvements completed prior to the note date. • An interior and exterior inspection appraisal is required. The appraisal must reflect all energy and/or water efficiency improvements that were made. See "Energy Efficient Improvements" in the "Appraisal Analysis: Agency Loan Programs / Improvements Section of the Appraisal Report" topic/subtopic presented in Section 1.07: Appraisal Standard of the *Correspondent Seller Guide* for detailed appraisal requirements. • The Settlement/Closing Disclosure Statement must reflect that the funds were paid directly to debt holder • An energy report is not required for "no cash-out" refinance mortgages used to payoff existing outstanding energy and/or water efficiency related debt. Reference: See the "Property Assessed Clean Energy (PACE) Loans" subtopic subsequently presented in this topic for payoff of PACE obligation requirements. • **Basic Energy and Water Efficiency Improvements** • For basic energy and/or water efficiency improvements with an aggregate cost less than or equal to $6,500, the requirements of this section must be met with the exception that an energy report is not required. The lender must document the cost of the energy and/or water efficiency improvements by obtaining copies of all receipts and/or invoices, as applicable, and retain these in the mortgage file. • Eligible basic energy and/or water efficiency improvements include the following: • Programmable thermostats • Caulking or weather stripping • Adding ceiling, wall or floor insulation • Air sealing • Air conditioning/heating replacement to high efficiency • Solar water heaters • Low-flow water fixtures • High efficient refrigerators/freezers, water heaters and light bulbs • Replacement of windows and doors • **Energy Reports** • **Eligible Energy Reports** • Energy reports must be one of the following: • A Home Energy Rating Systems (HERS) report completed by a certified Residential Energy Services Network (RESNET®) home energy rater • A Department of Energy Home Energy Score Report completed by a Home Energy Score Certified Assessor™ • Comparable rating report or audit completed by a certified home energy rater or consultant indicating the property is a high-performing energy-efficient property • **Energy Report Requirements** • Energy reports must: • Identify the recommended energy improvements and expected costs of the completed improvements • Specify the actual or expected monthly or annual energy savings, and • Verify that the recommended energy improvements are cost effective. Energy improvements are determined to be cost effective when the cost of the improvements,

Topic	Impacted Document	Impacted Products	Current Standards	Revised Standards Effective for EXISTING and NEW Loan Applications ON OR AFTER November 18, 2022
			• Use SFC J08 to identify a mortgage loan originated as a GreenCHOICE Mortgage as a purchase or "no cash-out" refinance mortgage to finance energy and/or water efficiency improvements. • Use SFC J28 to identify a mortgage originated as a GreenCHOICE Mortgage to pay off outstanding energy debt, for a "no cash-out" refinance mortgage. **Note**: Freddie Mac will credit the lender (selling the loan to Freddie Mac) a $500 loan level price adjustment for loans with financed energy and/or water efficiency improvements (that include SFC J08 as a part of the delivery information). At this time, Truist is unable to pass this $500 price adjustment credit on to the Correspondent Lender.	including maintenance, is less than the present value of the energy saved over the useful life of the improvements • Not be dated earlier than 24 months prior to the note date. The cost of the energy report may be included in the total cost of the improvements and must be identified on the settlement statement if the borrower is to be reimbursed. • **Energy Report Exception When Proceeds are Used to Finance Renewable Energy Sources** • In the event an energy report is not available to demonstrate the cost effectiveness of energy improvements related to the installation of renewable energy sources, including solar panels, water efficiency devices, wind turbines or geothermal systems, the cost effectiveness may be demonstrated by obtaining a copy of invoices or receipts for the cost of the system or devices and comparing the cost of the systems or devices to the income produced over the life of the system or devices. When the income produced exceeds the net cost (including any tax credits and rebates) of the system or devices, the cost effectiveness has been demonstrated. • The appraiser must document the projected income by utilizing PV Value, Ei Value, or a similar tool as referenced in "Energy Efficient Improvements" in the "Appraisal Analysis: Agency Loan Programs / Improvements Section of the Appraisal Report" topic/subtopic presented in Section 1.07: Appraisal Standard of the *Correspondent Seller Guide*. • **Special Feature Code Requirements** • Use SFC J08 to identify a mortgage loan originated as a GreenCHOICE Mortgage as a purchase or "no cash-out" refinance mortgage to finance energy and/or water efficiency improvements. • Use SFC J28 to identify a mortgage originated as a GreenCHOICE Mortgage to pay off outstanding energy debt, for a "no cash-out" refinance mortgage. **Note**: Freddie Mac will credit the lender (selling the loan to Freddie Mac) a $500 loan level price adjustment for loans with financed energy and/or water efficiency improvements (that include SFC J08 as a part of the delivery information). At this time, Truist is unable to pass this $500 price adjustment credit on to the Correspondent Lender.
			Section 2.01 Agency Loan Standard **Refinances / Cash-Out Refinances** **Freddie Mac LPA** Follow LPA requirements, which are as follows: • A cash-out refinance mortgage must meet the applicable requirements outlined in the "Continuity of Obligation" subtopic previously presented in this topic. • A cash-out refinance mortgage is a mortgage in which the use of the loan amount is not limited to specific purposes. • A mortgage placed on a property previously owned free and clear by the borrower is considered a cash-out refinance mortgage, except for CHOICERenovation® mortgages when proceeds are used only to finance the eligible renovations as described in the "Freddie Mac's CHOICERenovation^{SM} Mortgage" requirements previously presented in the "Eligible Transactions" topic. These CHOICERenovation mortgages are considered "no cash-out" refinance mortgages. For more information, see the "Freddie Mac's CHOICERenovation^{SM} mortgage" requirements previously presented in the "Eligible Transactions" topic. • At least one borrower must have been on the title to the subject property for at least six months prior to the note date, except as specified below. • For cases in which the property is a leasehold estate, at least one borrower must have been lessee	**Section 2.01 Agency Loan Standard** **Refinances / Cash-Out Refinances** **Freddie Mac LPA** Follow LPA requirements, which are as follows: • A cash-out refinance mortgage must meet the applicable requirements outlined in the "Continuity of Obligation" subtopic previously presented in this topic. • A cash-out refinance mortgage is a mortgage in which the use of the loan amount is not limited to specific purposes. • A mortgage placed on a property previously owned free and clear by the borrower is considered a cash-out refinance mortgage, except for: • CHOICERenovation® mortgages when proceeds are used only to finance the eligible renovations as described in "Freddie Mac's CHOICERenovation® Mortgage" requirements previously presented in the "Eligible Transactions" topic. These CHOICERenovation mortgages are considered "no cash-out" refinance mortgages. For more information, see "Freddie Mac's CHOICERenovation® Mortgage" requirements previously presented in the "Eligible Transactions" topic. • GreenCHOICE® mortgages when proceeds are used only to finance eligible energy and/or water efficiency improvements as described in "Freddie Mac's GreenCHOICE® Mortgages" requirements previously presented in the "Eligible Transactions" topic. These GreenCHOICE mortgages are

Agency Standards Revisions

***Note**: Truist specific overlays are underlined.*

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			on the ground lease or lease agreement of the subject leasehold estate for at least six months. • For cases in which title to the property is held by a limited liability company (LLC) or limited partnership (LP), the time the property was titled in the name of the LLC or LP may be included in the six-month requirement provided: • At least one borrower must have been the majority owner or had control of the LLC or LP since the date the property was acquired by the LLC or LP, and • Title must be transferred from the LLC or LP into the borrower's name prior to the note date • If none of the borrowers have been on the title to the subject property for at least six months prior to the note date of the cash-out refinance mortgage, the following requirement(s) must be met: • At least one borrower on the refinance mortgage inherited or was legally awarded the subject property (for example, in the case of divorce, separation or dissolution of a domestic partnership) ***OR*** • All of the Delayed Financing Cash-Out Refinance requirements must be met. See the “Delayed Financing Cash-Out Refinance” subtopic for further details. Reference: See the “Property Assessed Clean Energy (PACE) Loans” subtopic for additional information. **Section 2.01a Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages Standard Eligible Transactions / Fannie Mae’s HomeStyle® Energy for Improvements on Existing Properties / Freddie Mac’s GreenCHOICE Mortgages℠** **Freddie Mac LPA** Section 2.01: Agency Loan Standard LPA requirements apply, except as follows: • **Purchase and "No Cash-Out" Refinance Mortgage Requirements** • **"No cash-out" refinance mortgage to payoff existing outstanding energy and/or water efficiency related debt** • The proceeds may be used to pay off an existing outstanding debt for funds that were used to finance energy and/or water efficiency improvements completed prior to the note date subject to the following: • The maximum LTV,TLTV, and/or HTLTV ratios outlined in the applicable first mortgage product description apply, except as follows: • For transactions with an LTV, TLTV, and/or HTLTV ratios that are greater than 95% but less than 97%, the following must apply: • The mortgage being paid off must currently be owned by Freddie Mac, in whole or in part, or securitized by Freddie Mac • The mortgage must be an Accept Mortgage that is a fixed-rate mortgage secured by a 1-unit primary residence • Non-occupant co-borrowers are not permitted	considered "no cash-out" refinance mortgages. For more information, see “Freddie Mac’s GreenCHOICE® Mortgages” requirements previously presented in the “Eligible Transactions” topic. • At least one borrower must have been on the title to the subject property for at least six months prior to the note date, except as specified below. • For cases in which the property is a leasehold estate, at least one borrower must have been lessee on the ground lease or lease agreement of the subject leasehold estate for at least six months. • For cases in which title to the property is held by a limited liability company (LLC) or limited partnership (LP), the time the property was titled in the name of the LLC or LP may be included in the six-month requirement provided: • At least one borrower must have been the majority owner or had control of the LLC or LP since the date the property was acquired by the LLC or LP, and • Title must be transferred from the LLC or LP into the borrower's name prior to the note date • If none of the borrowers have been on the title to the subject property for at least six months prior to the note date of the cash-out refinance mortgage, the following requirement(s) must be met: • At least one borrower on the refinance mortgage inherited or was legally awarded the subject property (for example, in the case of divorce, separation or dissolution of a domestic partnership) ***OR*** • All of the Delayed Financing Cash-Out Refinance requirements must be met. See the “Delayed Financing Cash-Out Refinance” subtopic for further details. Reference: See the “Property Assessed Clean Energy (PACE) Loans” subtopic for additional information. **Section 2.01a Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages Standard Eligible Transactions / Fannie Mae’s HomeStyle® Energy for Improvements on Existing Properties / Freddie Mac’s GreenCHOICE® Mortgages** **Freddie Mac LPA** Section 2.01: Agency Loan Standard LPA requirements apply, except as follows: • **Purchase and "No Cash-Out" Refinance Mortgage Requirements** • **"No cash-out" refinance mortgage to payoff existing outstanding energy and/or water efficiency related debt** • The proceeds may be used to pay off or partially payoff an existing outstanding debt for funds that were used to finance energy and/or water efficiency improvements completed prior to the note date subject to the following: • The maximum LTV,TLTV, and/or HTLTV ratios outlined in the applicable first mortgage product description apply, except as follows: • For transactions with an LTV, TLTV, and/or HTLTV ratios that are greater than 95% but less than 97%, the following must apply: • The mortgage being paid off must currently be owned by Freddie Mac, in whole or in part, or securitized by Freddie Mac • The mortgage must be an Accept Mortgage that is a fixed-rate mortgage secured by a 1-unit primary residence • Non-occupant co-borrowers are not permitted