

Shared Equity Restriction Update

Note: Truist specific overlays are underlined.

Topic	Impacted Document	Impacted Products	Current Standards	Revised Standards
Shared Equity	Section 1.16a – Resale/Deed Restrictions <i>Correspondent Seller Guide</i>	<ul style="list-style-type: none"> • Standard Agency (non-AUS, DU & LPA) • Agency Plus (DU & LPA) • Agency Plus Select (DU & LPA) • HomeReady® (non-AUS & DU) • Home Possible® (LPA) • Texas Section 50(a)(6) Mortgages (non-AUS, DU & LPA) • Key • FHA • VA • RD 	<p>Overview</p> <p>Introduction</p> <ul style="list-style-type: none"> • A deed restriction is a rule affecting the future transferability of real property. A deed restriction is a form of a covenant affecting the property; meaning, they are contained in documents recorded in the appropriate land records, and will generally “run with the land” so as to bind all future owners of such property. • There are a variety of different deed restrictions that can be attached to a property, and commonly exist for purposes such as: providing affordable housing, limiting the pool of potential occupants (age, income, or occupancy type, etc.), or ensuring that the governing entity maintains control of the resale process. • Those deed restrictions specifically addressed in this document that reflect “Acceptable” are the only deed restrictions permitted by Truist. • Acceptable deed restrictions must not impair the lender’s ability to take interim title in the event of foreclosure or deed-in-lieu of foreclosure, or violate any Fair Lending or privacy laws. • The standards outlined in this document apply to all Truist non-Agency loan programs. For Agency loan programs guidance, see the “Properties with Resale Restrictions” topic outlined in Section 2.01 Agency Loan Standard of the <i>Correspondent Seller Guide</i>. <hr/> <p>Appraisal Requirements</p> <p>Appraisal Standards</p> <ul style="list-style-type: none"> • A full appraisal is required on properties subject to affordable dwelling or Moderately Priced Dwelling covenants. <ul style="list-style-type: none"> • The appraiser must note on the appraisal report the existence of the deed restrictions and comment on any impact the deed restrictions have on the property’s value and marketability. • The appraisal report must include at least three comparables with similar deed restrictions, including similar percentage of restricted properties within the project or subdivision. • For properties in PUDs or Condominium projects, two of the comparables must be independent of control of the subject property’s developer • IF the deed restrictions terminate or cease to exist automatically at the time the lender takes title under foreclosure or upon recordation of a deed-in-lieu of foreclosure, THEN appraisal must reflect: <ul style="list-style-type: none"> • The market value of the property without consideration for the deed restrictions. • The following must be included in the appraisal report: <ul style="list-style-type: none"> • <i>This appraisal is made on the basis of a hypothetical condition that the property rights being appraised are without resale and other restrictions that are terminated automatically upon the latter of foreclosure or the expiration of any applicable redemption period or upon recordation of a deed-in-lieu of foreclosure.</i> • IF the deed restrictions survive foreclosure or deed-in-lieu of foreclosure (meaning the restrictions will continue after foreclosure to the next owner), THEN appraisal must reflect: <ul style="list-style-type: none"> • The impact that the deed restrictions have on value and be supported by comparables with similar deed restrictions. • LTV must be calculated using the lesser of the sale price or appraised value with the deed restrictions. 	<p>Overview</p> <p>Introduction</p> <ul style="list-style-type: none"> • A deed restriction is a rule affecting the future transferability of real property. A deed restriction is a form of a covenant affecting the property; meaning, they are contained in documents recorded in the appropriate land records, and will generally “run with the land” so as to bind all future owners of such property. • There are a variety of different deed restrictions that can be attached to a property, and commonly exist for purposes such as: providing affordable housing, limiting the pool of potential occupants (age, income, or occupancy type, etc.), or ensuring that the governing entity maintains control of the resale process. • Those deed restrictions specifically addressed in this document that reflect “Acceptable” are the only deed restrictions permitted by Truist. • Acceptable deed restrictions must not impair the lender’s ability to take interim title in the event of foreclosure or deed-in-lieu of foreclosure, or violate any Fair Lending or privacy laws. • The standards outlined in this document apply to all Truist non-Agency loan programs. For Agency loan programs guidance, see the “Properties with Resale Restrictions” topic outlined in Section 2.01 Agency Loan Standard of the <i>Correspondent Seller Guide</i>. For Government loan programs guidance, see the “Resale/Deed Restrictions” topic outlined in Section 2.22 – The FHA 203(b) Loan Standard, Section 2.23 – Veterans Administration Loan Standard or Section 2.24 – Rural Development Loan Standard of the <i>Correspondent Seller Guide</i>. <hr/> <p>Appraisal Requirements</p> <p>Appraisal Standards</p> <ul style="list-style-type: none"> • A full appraisal is required on properties subject to affordable dwelling or Moderately Priced Dwelling covenants. <ul style="list-style-type: none"> • The appraiser must note on the appraisal report the existence of the deed restrictions and comment on any impact the deed restrictions have on the property’s value and marketability. • The appraisal report must include at least three comparables with similar deed restrictions, including similar percentage of restricted properties within the project or subdivision. • For properties in PUDs or Condominium projects, two of the comparables must be independent of control of the subject property’s developer • IF the deed restrictions terminate or cease to exist automatically at the time the lender takes title under foreclosure or upon recordation of a deed-in-lieu of foreclosure, THEN appraisal must reflect: <ul style="list-style-type: none"> • The market value of the property without consideration for the deed restrictions. • The following must be included in the appraisal report: <ul style="list-style-type: none"> • <i>This appraisal is made on the basis of a hypothetical condition that the property rights being appraised are without resale and other restrictions that are terminated automatically upon the latter of foreclosure or the expiration of any applicable redemption period or upon recordation of a deed-in-lieu of foreclosure.</i> • IF the deed restrictions survive foreclosure or deed-in-lieu of foreclosure (meaning the restrictions will continue after foreclosure to the next owner), THEN appraisal must reflect: <ul style="list-style-type: none"> • The impact that the deed restrictions have on value and be supported by comparables with similar deed restrictions. • LTV must be calculated using the lesser of the sale price or appraised value with the deed restrictions.

Shared Equity Restriction Update

Note: Truist specific overlays are underlined.

Topic	Impacted Document	Impacted Products	Current Standards	Revised Standards
			<ul style="list-style-type: none"> For non-Agency and government loan transactions only, properties that are not subject to deed restrictions (non-restricted properties), but are located in projects or communities with properties that are subject to deed restrictions, the presale requirements must be met separately for both non-restricted units and restricted units. 	<ul style="list-style-type: none"> For non-Agency and government loan transactions only, properties that are not subject to deed restrictions (non-restricted properties), but are located in projects or communities with properties that are subject to deed restrictions, the presale requirements must be met separately for both non-restricted units and restricted units.
Shared Equity	Section 2.06 – Key Loan Standard Correspondent Seller Guide	<ul style="list-style-type: none"> Key 	<p>Occupancy/Property Types</p> <p>Ineligible Properties</p> <p>The following is a list of ineligible properties:</p> <ul style="list-style-type: none"> 2-4 unit properties, apartment buildings, bed and breakfast properties, boarding houses, commercial buildings, condominium hotels or condotels, cooperatives, earth/earth-sheltered and geodesic/dome homes, <p>Notes:</p> <ul style="list-style-type: none"> Homes that have a geothermal heat pump as the main heating and cooling system are eligible. The Underwriter must determine that the appraisal supports the market for this type of property. <ul style="list-style-type: none"> Georgia Power leasehold properties, houseboat projects/properties, Indian lands that are leasehold estates, investment properties, leaseholds that do not extend 5-years beyond the loan term and are not typical in the market area, mixed-use properties, mobile/manufactured homes, model homes not eligible for occupancy within 60 days of loan closing, non-warrantable condominium/PUD projects, properties listed for sale within the last six (6) months (if cash-out refinance), unless Delayed Financing Cash-Out refinance requirements are met, properties on acreage exceeding 15 acres, projects with legal non-conforming use, residential properties zoned commercial or industrial, studio condominiums, timeshare units, unimproved land, unique properties, other than those listed above, in which the marketability cannot be established, and working farms, ranches, and orchards 	<p>Occupancy/Property Types</p> <p>Ineligible Properties</p> <p>The following is a list of ineligible properties:</p> <ul style="list-style-type: none"> 2-4 unit properties, apartment buildings, bed and breakfast properties, boarding houses, commercial buildings, <u>community land trusts</u> condominium hotels or condotels, cooperatives, earth/earth-sheltered and geodesic/dome homes, <p>Notes:</p> <ul style="list-style-type: none"> Homes that have a geothermal heat pump as the main heating and cooling system are eligible. The Underwriter must determine that the appraisal supports the market for this type of property. <ul style="list-style-type: none"> Georgia Power leasehold properties, houseboat projects/properties, Indian lands that are leasehold estates, investment properties, leaseholds that do not extend 5-years beyond the loan term and are not typical in the market area, mixed-use properties, mobile/manufactured homes, model homes not eligible for occupancy within 60 days of loan closing, non-warrantable condominium/PUD projects, properties listed for sale within the last six (6) months (if cash-out refinance), unless Delayed Financing Cash-Out refinance requirements are met, properties on acreage exceeding 15 acres, projects with legal non-conforming use, residential properties zoned commercial or industrial, <u>Properties with income or resale price deed restrictions</u> studio condominiums, timeshare units, unimproved land, unique properties, other than those listed above, in which the marketability cannot be established, and working farms, ranches, and orchards
Shared Equity	Section 2.22 – The FHA 203(b) Loan Standard	<ul style="list-style-type: none"> FHA 	<p>Occupancy/Property Types</p>	<p>Occupancy/Property Types</p>

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	<p><i>Correspondent Seller Guide</i></p>		<p>Ineligible Occupancy/ Property Types</p> <p>Ineligible occupancy/property types include (but are not limited to):</p> <ul style="list-style-type: none"> • <u>Sinkhole Homes (even if repaired)</u> • <u>Manufactured homes</u> • <u>Methamphetamine Homes (even if certified habitable)</u> • <u>Cooperatives</u> • <u>Properties with individual water purification systems required to make the water safe and potable</u> <p>Condominiums</p> <p>General</p> <ul style="list-style-type: none"> • All condominium property types must be approved, underwritten to, and insured under Section 203(b). • For attached condominium units, the project must appear on HUD’s FHA-approved condominium list with a current, unexpired “Approved” status. • In addition, each individual loan on a unit located within the project requires its own Certification for individual Unit Financing (Loan Level Certification) signed by an authorized representative of the Correspondent Lender. • <u>Name of insured must include one title holder for HO6 insurance coverage.</u> <p>Ineligible Projects</p> <ul style="list-style-type: none"> • All projects deemed ineligible to HUD. • <u>Manufactured housing projects considered condominiums.</u> <p>Certification for Individual Unit Financing (Loan Level Certification)</p> <ul style="list-style-type: none"> • The following must be placed in the loan file: <ul style="list-style-type: none"> • Completed Certification of Project Compliance Condo/PUD Lender Warranty executed by an authorized representative of the Correspondent Lender. • A copy of the Certification for Individual Unit Financing Form, completed by an authorized representative of the Correspondent Lender. • Copy of the HUD approval • Documentation satisfying any condominium approval conditions (if any) shown on the existing HUD approval • Completed condominium questionnaire • Evidence of hazard/flood (if applicable)/liability & fidelity bond insurance that meets FHA requirements. <p>Resale/Deed Restrictions</p> <p>Direct Endorsement Lenders are required to meet HUD requirements for resale and deed restrictions as outlined in the 4000.1 Handbook, the Condominium Project Approval and Processing Guide, and any applicable CFR regulations.</p>	<p>Ineligible Occupancy/ Property Types</p> <p>Ineligible occupancy/property types include (but are not limited to):</p> <ul style="list-style-type: none"> • <u>Sinkhole Homes (even if repaired)</u> • <u>Manufactured homes</u> • <u>Methamphetamine Homes (even if certified habitable)</u> • <u>Cooperatives</u> • <u>Properties with individual water purification systems required to make the water safe and potable</u> • <u>Community Land Trusts</u> • <u>Affordable housing units with income or resale deed restrictions</u> <p>Condominiums</p> <p>General</p> <ul style="list-style-type: none"> • All condominium property types must be approved, underwritten to, and insured under Section 203(b). • For attached condominium units, the project must appear on HUD’s FHA-approved condominium list with a current, unexpired “Approved” status. • In addition, each individual loan on a unit located within the project requires its own Certification for individual Unit Financing (Loan Level Certification) signed by an authorized representative of the Correspondent Lender. • <u>Name of insured must include one title holder for HO6 insurance coverage.</u> <p>Ineligible Projects</p> <ul style="list-style-type: none"> • All projects deemed ineligible to HUD. • <u>Manufactured housing projects considered condominiums.</u> <p>Certification for Individual Unit Financing (Loan Level Certification)</p> <ul style="list-style-type: none"> • The following must be placed in the loan file: <ul style="list-style-type: none"> • Completed Certification of Project Compliance Condo/PUD Lender Warranty executed by an authorized representative of the Correspondent Lender. • A copy of the Certification for Individual Unit Financing Form, completed by an authorized representative of the Correspondent Lender. • Copy of the HUD approval • Documentation satisfying any condominium approval conditions (if any) shown on the existing HUD approval • Completed condominium questionnaire • Evidence of hazard/flood (if applicable)/liability & fidelity bond insurance that meets FHA requirements. <p>Resale/Deed Restrictions</p> <ul style="list-style-type: none"> • <u>Direct</u> Endorsement Lenders are required to meet HUD requirements for resale and deed restrictions as outlined in the 4000.1 Handbook, the Condominium Project Approval and Processing Guide, and any applicable CFR regulations. • <u>Exceptions for affordable units are not eligible</u>
			<p>Occupancy/Property Types</p>	<p>Occupancy/Property Types</p>

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			<p><i>Note: Below is an EXCERPT only of the requirements from the above referenced section. All other currently published requirements in this section remain the same.</i></p> <p>Properties Recently Listed for Sale</p> <ul style="list-style-type: none"> <u>If a property was listed for sale the following applies:</u> <ul style="list-style-type: none"> <u>for Rate/Term, Simple or Streamline refinances:</u> <ul style="list-style-type: none"> <u>the property must be taken off the market on or prior to the application (i.e., 1003) date,</u> <p style="text-align: center;">Note: <u>If the property is currently listed for sale, documentation must be provided that the listing agreement is terminated (it is NOT okay just to take the "For Sale" sign down)!</u></p> <ul style="list-style-type: none"> <u>for cash-out refinances:</u> <ul style="list-style-type: none"> <u>the property must have been taken off the market for at least 60 days prior to loan application</u> <u>when the subject property is the borrower's primary residence, the borrower must confirm in writing their intent to occupy the subject property by signing an occupancy affidavit at closing.</u> 	<p><i>Note: Below is an EXCERPT only of the requirements from the above referenced section. All other currently published requirements in this section remain the same.</i></p> <p>Properties Recently Listed for Sale</p> <ul style="list-style-type: none"> <u>If a property was listed for sale the following applies:</u> <ul style="list-style-type: none"> <u>for Rate/Term, Simple or Streamline refinances:</u> <ul style="list-style-type: none"> <u>the property must be taken off the market on or prior to the application (i.e., 1003) date,</u> <p style="text-align: center;">Note: <u>If the property is currently listed for sale, documentation must be provided that the listing agreement is terminated (it is NOT okay just to take the "For Sale" sign down)!</u></p> <ul style="list-style-type: none"> <u>for cash-out refinances:</u> <ul style="list-style-type: none"> <u>the property must have been taken off the market for at least 60 days prior to loan application</u> <u>when the subject property is the borrower's primary residence, the borrower must confirm in writing their intent to occupy the subject property by signing an occupancy affidavit at closing.</u> <p>Resale/Deed Restrictions</p> <ul style="list-style-type: none"> <u>Restrictions on Conveyance exceptions for affordable housing units with income or resale deed restrictions are ineligible</u>
Shared Equity	Section 2.23 – Veterans Administration Loan Standard Correspondent Seller Guide	<ul style="list-style-type: none"> VA 	<p>Occupancy/Property Types</p> <p>Ineligible Property Types</p> <p>The following types of properties are ineligible:</p> <ul style="list-style-type: none"> <u>Manufactured housing (mobile homes)</u> <u>Sinkhole homes (even if repaired)</u> <u>Methamphetamine homes (even if certified habitable)</u> <u>Cooperatives</u> 	<p>Occupancy/Property Types</p> <p>Ineligible Property Types</p> <p>The following types of properties are ineligible: Ineligible property types include (but are not limited to):</p> <ul style="list-style-type: none"> <u>Manufactured housing (mobile homes)</u> <u>Sinkhole homes (even if repaired)</u> <u>Methamphetamine homes (even if certified habitable)</u> <u>Cooperatives</u> <u>Community Land Trusts</u> <u>Properties with income or resale price deed restrictions</u> <p>Resale/Deed Restrictions</p> <ul style="list-style-type: none"> <u>Lenders must follow VA Lender's Handbook, 38 C.F.R. 36.4308 and 38 C.F.R. 36.4354 regarding any resale or deed restrictions.</u> <u>Properties with income or resale price deed restrictions are ineligible.</u>

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Shared Equity	Section 2.24 – Rural Development Loan Standard Correspondent Seller Guide	<ul style="list-style-type: none"> RD 	<p>Ineligible Transactions</p> <ul style="list-style-type: none"> <u>Construction Modification loans</u> <u>Assumption</u> <u>Streamlined Refinance</u> <u>Energy Efficient Mortgages (EEMs)</u> <u>Lending on Native American Tribal Lands</u> <u>Properties subject to Property Assessed Clean Energy (PACE) Obligations</u> <u>Temporary Buydown</u> <u>Ease-in</u> <u>ARM Alternative</u> <hr/> <p>Occupancy/Property Types</p> <p>Ineligible Property Types</p> <ul style="list-style-type: none"> <u>Manufactured Housing</u>, <u>Geodesic domes</u>, <u>Earth Homes</u>, <u>Quonset Huts</u>, <u>Cooperatives, and</u> <u>Properties located in mudslide zone</u> 2-4 Unit Properties 	<p>Ineligible Transactions</p> <ul style="list-style-type: none"> <u>Construction Modification loans</u> <u>Assumption</u> <u>Streamlined Refinance</u> <u>Energy Efficient Mortgages (EEMs)</u> <u>Lending on Native American Tribal Lands</u> <u>Properties subject to Property Assessed Clean Energy (PACE) Obligations</u> <u>Temporary Buydown</u> <u>Ease-in</u> <u>ARM Alternative</u> <p>Resale/Deed Restrictions</p> <ul style="list-style-type: none"> Lenders must follow USDA HB-1-3555 regarding any resale or deed restrictions. <u>Properties with income or resale price deed restrictions are ineligible.</u> <hr/> <p>Occupancy/Property Types</p> <p>Ineligible Property Types</p> <p><u>Ineligible property types include, but are not limited to:</u></p> <ul style="list-style-type: none"> <u>Manufactured Housing</u>, <u>Geodesic domes</u>, <u>Earth Homes</u>, <u>Quonset Huts</u>, <u>Cooperatives, and</u> <u>Properties located in mudslide zone</u> 2-4 Unit Properties, <u>Community Land Trusts</u> <u>Properties with income or resale price deed restrictions</u>