Agency Standards Revisions

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

Topic	Impacted Document	Impacted Products	Current Standards	Revised Standards Effective for EXISTING AND NEW Loan Applications ON OR AFTER November 22, 2024
Condominium Projects	Correspondent Section 1.06 Condominium and PUD Approval Requirements	• Standard Agency (LPA) • Agency Plus (LPA) • Agency Plus Select (LPA) • Home Possible® (LPA) • Texas Section 50(a)(6) Mortgages (LPA)	**Agency / Ineligible Projects / List of Ineligible Project Characteristics** **Freddie Mac LPA** Follow LPA requirements, which are as follows: • Except condominium unit mortgages delivered in accordance with the "Exempt from Review (Freddie Mac)" requirements or requirements relating to condominium projects with a Project Certified status PAR finding previously presented in this document, mortgages secured by units in any of the following types of projects are not eligible for sale to Freddie Mac. ***Note**: Below is an EXCERPT only from the table in this section that outlines the listing of Ineligible Condo Project Characteristics.* **Ineligible Condo Project Characteristics** • **Project in which the unit owners do not possess sole ownership of the Common Elements** • Unit owners in a condominium project must have the sole ownership in and the right to the use of the common elements, including all buildings, roads, parking, facilities and amenities except as specified below. • A project with shared amenities is eligible if two or more HOAs share the amenities (such as recreational or fitness facilities, swimming pools and clubhouses) for the sole use of the unit owners, and the HOAs have an agreement specifying: • A description of the shared amenities and the terms of the unit owners' permitted use of the shared amenities • How the shared amenities will be funded, managed and maintained, and • The method for resolving disputes between the HOAs regarding the shared amenities • The developer must not retain any ownership interest in the common elements, facilities and amenities, except as unit owner. The common elements, including parking and amenities, such as recreational facilities, must not be subject to a lease between the unit owners or the HOA (as lessee) and any other party (as lessor), with the exception of commercial leases for parking, or permit arrangements for parking, entered into with parties unrelated to the developer. **Notes**: • The project's common elements, including amenities and limited common elements, must be consistent with the nature of the project and similar to competing condominium projects in the market area. • **Financing of Limited Common Elements** • Limited common elements are portions of common elements reserved for use by one or more unit owners but not all unit owners. Limited common elements are defined in the project documents, and may include, but are not limited to, balconies or patios serving a single unit, assigned parking spaces or storage bins. • Limited common elements that are purchased as part of the condominium unit may be financed as part of the mortgage, and the	**Agency / Ineligible Projects / List of Ineligible Project Characteristics** **Freddie Mac LPA** Follow LPA requirements, which are as follows: • Except condominium unit mortgages delivered in accordance with the "Exempt from Review (Freddie Mac)" requirements or requirements relating to condominium projects with a Project Certified status PAR finding previously presented in this document, mortgages secured by units in any of the following types of projects are not eligible for sale to Freddie Mac. ***Note**: Below is an EXCERPT only from the table in this section that outlines the listing of Ineligible Condo Project Characteristics.* **Ineligible Condo Project Characteristics** • **Project in which the unit owners do not possess sole ownership of the Common Elements** • Except as stated below, unit owners in a condominium project must have the sole ownership in and the right to the use of the common elements, including all buildings, roads, parking, facilities, and amenities.~~ except as specified below.~~ The developer must not retain any ownership interest in the common elements, facilities, and amenities, except as unit owner. • A condominium project that shares amenities with one or more other residential projects is eligible if the projects share the amenities (such as recreational or fitness facilities, swimming pools and clubhouses) for the sole use of the unit owners and shareholders, if applicable. The term "residential projects" includes only residential condominium projects, cooperative projects, and planned unit developments (PUDs). The residential projects must have an agreement specifying: • A description of the shared amenities and the terms of ~~the~~ unit owners' and shareholders' permitted use of the shared amenities • How the shared amenities will be funded, managed and maintained, and • The method for resolving disputes between the projects regarding the shared amenities • ~~The developer must not retain any ownership interest in the common elements, facilities and amenities, except as unit owner.~~ The common elements, including ~~parking and~~ amenities, such as parking and recreational facilities, must not be subject to a lease between the unit owners or the HOA (as lessee) and any other party (as lessor), with the exception of commercial leases for parking, or permit arrangements for parking, entered into with parties unrelated to the developer. **Notes**: • The project's common elements, including amenities and limited common elements, must be consistent with the nature of the project and similar to competing condominium projects in the market area. • **Financing of Limited Common Elements** • Limited common elements are portions of common elements reserved for use by one or more unit owners but not all unit owners. Limited common elements are defined in the project documents, and may

Topic	Impacted Document	Impacted Products	Current Standards	Revised Standards Effective for EXISTING AND NEW Loan Applications ON OR AFTER November 22, 2024
			cost of such limited common elements may be included when determining the sale price and loan-to-value (LTV) ratio. • Only limited common elements may be financed along with the condominium unit. Facilities serving the condominium unit which are made available to the condominium unit by a permit, license or lease (other than in a leasehold condominium), must not be financed as part of a mortgage, and the cost of the use of such facilities may not be included when determining the sale price and LTV ratio. *All other currently published Ineligible Condo Project Characteristics outlined in the above referenced table in this section remain the same.*	include, but are not limited to, balconies or patios serving a single unit, assigned parking spaces or storage bins. • Limited common elements that are purchased as part of the condominium unit may be financed as part of the mortgage, and the cost of such limited common elements may be included when determining the sale price and loan-to-value (LTV) ratio. • Only limited common elements may be financed along with the condominium unit. Facilities serving the condominium unit which are made available to the condominium unit by a permit, license or lease (other than in a leasehold condominium), must not be financed as part of a mortgage, and the cost of the use of such facilities may not be included when determining the sale price and LTV ratio. *All other currently published Ineligible Condo Project Characteristics outlined in the above referenced table in this section remain the same.*
Rental Income	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® (LPA) • Texas Section 50(a)(6) Mortgages (LPA)	**Section 2.01 Agency Loan Standard** **Income / Rental Income** **Freddie Mac LPA** Follow LPA requirements, which are as follows: • **General Eligibility Requirements** • Stable monthly rental income must be generated from acceptable and verifiable sources and must be reasonably expected to continue for at least the next three years. For each income source used to qualify the borrower, the lender must determine that both the source and the amount of the income are stable. See the "General Requirements for all Stable Monthly Income Qualification Sources" section outlined in the "General Income Information" subtopic previously presented in this document for additional information about income stability and continuance. • **Rental Income Eligibility** • Rental income generated from the following property and occupancy types may be considered when determining the stable monthly income: • 1-unit primary residence: • Rental income from a live-in aide, regardless of the type of housing provided, or • Rental income from an ADU • 2- to 4-unit primary residence (rental income is eligible from units that are not occupied by the borrower) • Subject 1- to 4-unit investment property • Non-subject investment property owned by the borrower (not restricted to residential property [e.g., commercial permitted]) • **Accessory Dwelling Units (ADU)** • When determining stable monthly income, rental income generated from an accessory unit may be considered for: • Subject 1-unit Primary Residence with an ADU • Subject 1-unit investment property • Non-subject investment property • The rental income requirements in this subtopic must be met.	**Section 2.01 Agency Loan Standard** **Income / Rental Income** **Freddie Mac LPA** Follow LPA requirements, which are as follows: • **General Eligibility Requirements** • Stable monthly rental income must be generated from acceptable and verifiable sources and must be reasonably expected to continue for at least the next three years. For each income source used to qualify the borrower, the lender must determine that both the source and the amount of the income are stable. See the "General Requirements for all Stable Monthly Income Qualification Sources" section outlined in the "General Income Information" subtopic previously presented in this document for additional information about income stability and continuance. • **Rental Income Eligibility** • Rental income generated from the following property and occupancy types may be considered when determining the stable monthly income: • 1-unit primary residence: • Rental income from a live-in aide, regardless of the type of housing provided, or • Rental income from an ADU • 2- to 4-unit primary residence (rental income is eligible from units that are not occupied by the borrower) • Subject 1- to 4-unit investment property • Non-subject investment property owned by the borrower (not restricted to residential property [e.g., commercial permitted]) • **Accessory Dwelling Units (ADUs)** • When determining stable monthly income, rental income generated from an ADU may be considered for: • Subject 1-unit primary residence ~~with an ADU~~ • Subject 1-unit investment property • In addition, rental income generated from any ADU(s) on a non-subject investment property may be considered when determining stable monthly income. • The rental income requirements in this subtopic must be met.

<table>
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<tr><td></td><td></td><td></td><td>
References:

See the “Rental income from the Live-in Aide Residing in a 1-unit Primary Residence” and “Rental income generated from an ADU on a subject 1-unit Primary Residence" sections outlined below for information relating to rental income eligibility for a 1-unit primary residence with an accessory unit.
See “Property with an Accessory Dwelling Unit” in the “Improvements Section of the Appraisal Report” subtopic, outlined in the “Appraisal Analysis: Agency Loan Programs” topic, within Section 1.07: Appraisal Standard for the property eligibility and appraisal requirements related to an accessory unit for the subject property.

Second Homes
Rental income generated from the borrower's second home may not be used as stable monthly income.

Rental Income from a Live-in Aide Residing in a 1-unit Primary Residence
The following chart contains requirements related to rental income from a borrower's 1-unit primary residence:
<table>
<tr><th colspan="2">1-Unit Primary Residence Rental Income Eligibility Requirements</th></tr>
<tr><td>Eligibility</td><td>Rental income generated from the borrower's 1-unit primary residence, including rental income from an accessory dwelling unit (ADU), may be used to qualify a borrower with a disability provided the rental income is from a live-in aide. Typically, a live-in aide will receive room and board payments through Medicaid waiver funds from which rental payments are made to the borrower.</td></tr>
<tr><td>Documentation</td><td>Evidence that the borrower has received stable rental income from a live-in aide for the most recent 12 months</td></tr>
<tr><td>Qualification</td><td>The rental income may be considered in an amount up to 30% of the total stable monthly income that is used to qualify the borrower for the mortgage</td></tr>
</table>
Rental income Generated from an ADU on a Subject 1-Unit Primary Residence

Eligible Loan Purpose
The mortgage must be a purchase or “no cash-out” refinance transaction.
Documentation Requirements
The following chart contains minimum documentation required to establish net rental income from an ADU on a 1-unit primary residence:
<table>
<tr><th>Purchase transactions</th><th>“No cash-out” refinance transactions</th></tr>
<tr><td>The lender must make reasonable efforts to determine lease availability, including review of the appraisal, comparable rent data, purchase contract, a discussion with the borrower and/or any</td><td>The borrower’s complete federal income tax returns (IRS Form 1040), including Schedule E, for the most recent year must be used to determine the net rental</td></tr>
</table>

</td><td>
References:

See the “Rental Income from Live-in Aide Residing in a 1-Unit Primary Residence” and “Rental Income Generated from an ADU on a Subject 1-Unit Primary Residence" sections outlined below for information relating to additional rental income eligibility for a 1-unit primary residence with an ADU.
See “Eligibility of a Property with an ADU” in the “Improvements Section of the Appraisal Report” subtopic, outlined in the “Appraisal Analysis: Agency Loan Programs” topic, within Section 1.07: Appraisal Standard for the property eligibility and appraisal requirements related to the subject property with an ADU.

Second Homes
Rental income generated from the borrower's second home may not be used as stable monthly income.

Rental Income from Live-in Aide Residing in a 1-Unit Primary Residence
The following chart contains requirements related to rental income from a borrower's 1-unit primary residence:
<table>
<tr><th colspan="2">1-Unit Primary Residence Rental Income Eligibility Requirements</th></tr>
<tr><td>Eligibility</td><td>Rental income generated from the borrower's 1-unit primary residence, including rental income from an ADU, may be used to qualify a borrower with a disability provided the rental income is from a live-in aide. Typically, a live-in aide will receive room and board payments through Medicaid waiver funds from which rental payments are made to the borrower.</td></tr>
<tr><td>Documentation</td><td>Evidence that the borrower has received stable rental income from a live-in aide for the most recent 12 months</td></tr>
<tr><td>Qualification</td><td>The rental income may be considered in an amount up to 30% of the total stable monthly income that is used to qualify the borrower for the mortgage</td></tr>
</table>
Rental Income Generated from an ADU on a Subject 1-Unit Primary Residence

Rental income from a subject 1-unit primary residence that does not meet the “Rental Income from Live-in Aide Residing in a 1-unit Primary Residence” requirements outlined above and is generated from an ADU is eligible for use in qualifying the borrower provided it meets the requirements of this section.
Eligible Loan Purpose
The mortgage must be a purchase or “no cash-out” refinance transaction.
Documentation Requirements
Minimum Income Documentation Requirements
The following chart contains minimum documentation required to establish net rental income from an ADU on a 1-unit primary residence:
<table>
<tr><th>Purchase transactions</th><th>“No cash-out” refinance transactions</th></tr>
</table>

</td></tr>
</table>

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<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></td><td></td><td></td><td>
<table>
<tr><td>other applicable and reasonable method.

If a lease is available, then:
• The lease must be used to determine the net rental income; and
• ADU rental analysis,
• as described in “Additional Appraisal Requirements” within this topic, must support the income reflected on the lease

If a lease is not available, the ADU rental analysis must be used to determine the net rental income.</td><td>income, except as stated below
• A lease and ADU rental analysis, as described in “Additional Appraisal Requirements” within this topic, may be used if the ADU rental analysis supports the rental income reflected on the lease and one of the following are met:
• The property was out of service for any time period in the prior year and the mortgage file contains a documented event such as a renovation and the Schedule E supports this by a reduced number of days in use and reflects repair costs; or
• The property was purchased later in the calendar year and the Schedule E supports this by a reduced number of days in use; or
• The property was placed in service in the current calendar year as documented in the mortgage file.</td></tr>
</table>

• **Lease Requirements**
• When a lease is obtained in accordance with the minimum income documentation requirements above, the lease must be current and fully executed.
• For newly executed leases, the first rental payment due date must be no later than the first payment date of the mortgage.

Truist Note: Truist clarifies that the rental payment on the lease must be reflected in U.S. dollars (cannot be in cryptocurrency).

• **Additional Appraisal Requirements**
• The following information on the ADU is required within the appraisal report:
• Information on the ADU must include the:
• General condition of unit
• Square feet of finished area
• Total number of rooms including number of bedrooms and baths
• The appraisal report must indicate the ADU is allowed per zoning and land use requirements (i.e., legal, legal non-conforming, no zoning)
</td><td>
<table>
<tr><td>The lender must make reasonable efforts to determine lease availability, including review of the appraisal, comparable rent data, purchase contract, a discussion with the borrower and/or any other applicable and reasonable method.

If a lease is available, then:
• The lease must be used to determine the net rental income; and
• ADU rental analysis, as described in the “Additional Appraisal Requirements” section outlined below, must support the income reflected on the lease.

If a lease is not available, the ADU rental analysis must be used to determine the net rental income.</td><td>• The borrower’s complete federal income tax returns (IRS Form 1040), including Schedule E, for the most recent year must be used to determine the net rental income, except as stated below
• A lease and ADU rental analysis, as described in the “Additional Appraisal Requirements” section outlined below, may be used if the ADU rental analysis supports the rental income reflected on the lease and one of the following are met:
• The property was out of service for any time period in the prior year and the mortgage file contains a documented event such as a renovation and the Schedule E supports this by a reduced number of days in use and reflects repair costs; or
• The property was purchased later in the calendar year and the Schedule E supports this by a reduced number of days in use; or
• The property was placed in service in the current calendar year as documented in the mortgage file.</td></tr>
</table>

• **Lease Requirements**
• When a lease is obtained in accordance with the minimum income documentation requirements above, the lease must be current and fully executed. For newly executed
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<tr><td></td><td></td><td></td><td>• Comparable sales within the Sales Comparison Approach section must include at least one comparable sale with an ADU
• The ADU rental analysis must include a minimum of three comparable rentals to support the opinion of market rent applicable to the ADU. At least one of the comparable rentals must include a rented ADU to support the market rent for ADUs. The appraiser may provide this rental analysis data in narrative form within the appraisal report or by attaching a separate rent schedule to the appraisal report.

See Section 1.07: Appraisal Standard of the <i>Correspondent Seller Guide</i> for additional requirements for a property with an ADU.

• Net Rental Income Calculation Requirements
• The following chart contains requirements for calculating net rental income used for qualifying the borrower:

<table><tr><th>Rental income documentation</th><th>Net rental income calculation requirements</th></tr><tr><td>Lease</td><td>75% of the gross monthly rent or gross monthly market rent.
The 25% adjustment is made to compensate for vacancies, operating and maintenance costs and any other unexpected expenses.</td></tr><tr><td>ADU rental analysis</td><td></td></tr><tr><td>Schedule E</td><td>Calculate the net rental income from Schedule E using Form 92, Net Rental Income Calculations – Schedule E, or a similar alternative form.</td></tr></table>
• The rental income generated from an ADU may be considered in an amount up to 30% of the total stable monthly income that is used to qualify the borrower for the mortgage.

• Landlord Education
• For purchase transactions, at least one qualifying borrower must participate in a landlord education program prior to the note date unless the borrower has a minimum of one-year investment property management experience or ADU rental management experience. Landlord education must not be provided by an interested party to the transaction, the originating lender or the seller. A copy of a certificate evidencing successful completion of the landlord education program must be retained in the mortgage file.

• Delivery Requirements
• Enter SFC J66 for a mortgage secured by a 1-unit primary residence with rental income generated from an ADU.

• Rental Income from the Borrower's 2- to 4-unit Primary Residence, Subject 1- to 4-unit Investment Property and Non-subject Investment Property
• This section contains requirements and guidance for the calculation, documentation, analysis, history, and determination of stable monthly net rental income.
• Net Rental Income Calculation Requirements, continued
• The following chart contains requirements pertaining to net rental income calculation.</td><td>leases, the first rental payment due date must be no later than the first payment date of the mortgage.

Truist Note: Truist clarifies that the rental payment on the lease must be reflected in U.S. dollars (cannot be in cryptocurrency).

• Additional Appraisal Requirements
• The following information on the ADU is required within the appraisal report:
• Information on the ADU must include the:
• General condition of unit
• Square feet of finished area
• Total number of rooms including number of bedrooms and baths
• The appraisal report must indicate the ADU is allowed per zoning and land use requirements (i.e., legal, legal non-conforming, no zoning)
• Comparable sales within the <i>Sales Comparison Approach</i> section must include at least one comparable sale with an ADU
• The ADU rental analysis must include a minimum of three comparable rentals to support the opinion of market rent applicable to the ADU. At least one of the comparable rentals must include a rented ADU to support the market rent for ADUs. The appraiser may provide this rental analysis data in narrative form within the appraisal report or by attaching a separate rent schedule to the appraisal report.

Reference: See “Eligibility of a Property with an ADU” in the “Improvements Section of the Appraisal Report” subtopic, outlined in the “Appraisal Analysis: Agency Loan Programs” topic, within Section 1.07: Appraisal Standard for additional requirements for a property with an ADU.

• Net Rental Income Calculation Requirements
• The following chart contains requirements for calculating net rental income used for qualifying the borrower:

<table><tr><th>Rental income documentation</th><th>Net rental income calculation requirements</th></tr><tr><td>Lease</td><td>75% of the gross monthly rent or gross monthly market rent.

The 25% adjustment is made to compensate for vacancies, operating and maintenance costs and any other unexpected expenses.</td></tr><tr><td>ADU rental analysis</td><td></td></tr><tr><td>Schedule E</td><td>Calculate the net rental income from Schedule E using Form 92, <i>Net Rental Income Calculations – Schedule E</i>, or a similar alternative form.</td></tr></table>
• The rental income generated from an ADU may be considered in an amount up to 30% of the total stable monthly income that is used to qualify the borrower for the mortgage.

• Landlord Education</td></tr>
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<td>
<table>
<tr><th colspan="2">Net Rental Income</th></tr>
<tr><th>Rental Income Source</th><th>Calculation Requirements</th></tr>
<tr><td>**Lease**
Form 72 or 1000</td><td>75% of the gross monthly rent or gross monthly market rent.

The 25% adjustment is made to compensate for vacancies, operating and maintenance costs and any other unexpected expenses.</td></tr>
<tr><td>**Schedule E**</td><td>The net rental income for each individual property is determined based on the history of income and expenses reported on Schedule E. Calculate the net rental income from Schedule E using Form 92, *Net Rental Income Calculations – Schedule E*, or a similar alternative form, as follows:

Rents received
- **Less total expenses**
Add back the following expenses:
+ Insurance
+ Mortgage interest paid to banks, etc.
+ Taxes (real estate taxes only)
+ Depreciation and/or depletion
+ Homeowners association dues (if specifically reported as an expense)
+ One time losses (e.g., casualty loss due to documented catastrophic event);
+ Non-Cash deductions (e.g., amortization);

Result: Net rental income (calculated to a monthly amount)

When calculating the net rental income for each individual property, the following expenses reported on Schedule E (and noted above) can only be added back if they are included in the payment amount being used to establish the debt payment-to-income ratio for that property: insurance, mortgage interest paid to banks, real estate taxes, homeowners association dues.</td></tr>
</table>

- **Appraisal Form Requirements Documentation and Analysis**
  - The following chart contains requirements related to appraisal form documentation and analysis:
<table>
<tr><th>Appraisal Forms – Comparable Rent Data</th></tr>
</table>
</td>
<td>
- For purchase transactions, at least one qualifying borrower must participate in a landlord education program prior to the note date unless the borrower has a minimum of one-year investment property management experience or ADU rental management experience. Landlord education must not be provided by an interested party to the transaction, the originating lender or the seller. A copy of a certificate evidencing successful completion of the landlord education program must be retained in the mortgage file.

- Special Feature Code Requirement
- Enter SFC J66 for a mortgage secured by a 1-unit primary residence with rental income generated from an ADU.

- **Rental Income from the Borrower's 2- to 4-unit Primary Residence, Subject 1- to 4-unit Investment Property and Non-subject Investment Property**
- This section contains requirements and guidance for the calculation, documentation, analysis, history, and determination of stable monthly net rental income.
- **Net Rental Income Calculation Requirements**~~, continued~~
- The following chart contains requirements pertaining to net rental income calculation.
<table>
<tr><th colspan="2">Net Rental Income</th></tr>
<tr><th>Rental Income Documentation</th><th>Calculation Requirements</th></tr>
<tr><td>**Lease**
Forms 72 or 1000</td><td>75% of the gross monthly rent or gross monthly market rent.

The 25% adjustment is made to compensate for vacancies, operating and maintenance costs and any other unexpected expenses.</td></tr>
<tr><td>**Schedule E**</td><td>The net rental income for each individual property is determined based on the history of income and expenses reported on Schedule E. Calculate the net rental income from Schedule E using Form 92, *Net Rental Income Calculations – Schedule E*, or a similar alternative form, as follows:

Rents received
- **Less total expenses**
Add back the following expenses:
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+ Mortgage interest paid to banks, etc.
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+ Homeowners association dues (if specifically reported as an expense)
+ One time losses (e.g., casualty loss due to documented catastrophic event);
+ Non-cash deductions (e.g., amortization);</td></tr>
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<table>
<tr><th>Topic</th><th>Requirements[1]</th></tr>
<tr><td>**Documentation**</td><td>**Subject 1-unit Investment Properties:** Form 1000, *Single Family Comparable Rent Schedule*</td></tr>
<tr><td></td><td>**Subject 2- to 4-unit Primary Residences & Subject 2- to 4-unit Investment Properties:** Form 72, *Small Residential Income Property Appraisal Report*</td></tr>
<tr><td>**Analysis**</td><td>The lender’s analysis of the rental information must include, at a minimum, the following factors:
- Rental market viability and income producing potential for subject property
- Whether the current market rents reasonably support the gross rents reported on Schedule E or the gross monthly lease income, if applicable

If the current market rents do not reasonably support the gross rents reported on Schedule E or the gross monthly lease income, the lender must:
- Determine if additional documentation is necessary to support income stability, and
- Provide a written analysis explaining the discrepancy and justifying the determination that the rental income used to qualify the borrower is stable and reasonably expected to continue</td></tr>
<tr><td colspan="2">[1] Appraisal form requirements may also apply to a non-subject property, as described in the “Documentation, History and Analysis subsection subsequently presented in this subtopic.</td></tr>
</table>

- **Documentation, History and Analysis**
  - The following charts contain requirements and guidance for documentation, analysis, and history.
</td><td>
<table>
<tr><td></td><td>**Result: Net rental income (calculated to a monthly amount)**

When calculating the net rental income for each individual property, the following expenses reported on Schedule E (and noted above) can only be added back if they are included in the payment amount being used to establish the debt payment-to-income ratio for that property: insurance, mortgage interest paid to banks, real estate taxes, homeowners association dues.</td></tr>
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- **Appraisal Form Requirements Documentation and Analysis**
  - The following chart contains requirements related to appraisal form documentation and analysis:

<table>
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<tr><th>Topic</th><th>Requirements[1]</th></tr>
<tr><td>**Documentation**</td><td>**Subject 1-unit Investment Properties:** Form 1000, *Single Family Comparable Rent Schedule*</td></tr>
<tr><td></td><td>**Subject 2- to 4-unit Primary Residences & Subject 2- to 4-unit Investment Properties:** Form 72, *Small Residential Income Property Appraisal Report*</td></tr>
<tr><td>**Analysis**</td><td>The lender’s analysis of the rental information must include, at a minimum, the following factors:
- Rental market viability and income producing potential for subject property
- Whether the current market rents reasonably support the gross rents reported on Schedule E or the gross monthly lease income, if applicable

If the current market rents do not reasonably support the gross rents reported on Schedule E or the gross monthly lease income, the lender must:
- Determine if additional documentation is necessary to support income stability, and
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<td>
<table>
<tr><th colspan="3">Rental Income from Purchases and Property Acquired or Placed in Service in the Current Calendar Year</th></tr>
<tr><th>Topic</th><th>Subject Property Purchase Transaction</th><th>Subject Property Refinance Transaction or Non-Subject Property:
Purchased in the current calendar year; or
Placed in service as a rental property in the current calendar year</th></tr>
<tr><td>Documentation and Analysis

<i>(For Streamlined Accept and Standard Documentation Levels)</i></td>
<td>An existing lease, if available, must be used to determine the net rental income. The lender must make reasonable efforts to determine lease availability, including review of the appraisal, comparable rent data, purchase contract, a discussion with the borrower and/or any other applicable and reasonable method, or
If a lease is not available, Form 72 or 1000, as applicable, may be used to determine the net rental income</td>
<td>Lease must be used to determine the net rental income, and
Forms 72 or 1000 supporting the income reflected on the lease; or
Documentation verifying receipt of two months of rental payments or receipt of the security deposit and the first month's rental payment[1]
Documentation must include:
Evidence that the payments were cashed or deposited into the borrower's depository account at a financial institution (e.g., bank statements evidencing deposit or canceled checks), or
Evidence that the payments were transferred into a third-party money</td></tr>
</table>
</td>
<td>
[1] Appraisal form requirements may also apply to a non-subject property, as described in the "Documentation, History and Analysis section immediately presented below.

Documentation, History and Analysis
The following charts contain requirements and guidance for documentation, analysis, and history.

<table>
<tr><th colspan="3">Rental Income from Purchases and Property Acquired or Placed in Service in the Current Calendar Year</th></tr>
<tr><th>Topic</th><th>Subject Property Purchase Transaction</th><th>Subject Property Refinance Transaction or Non-Subject Property:
Purchased in the current calendar year; or
Placed in service as a rental property in the current calendar year</th></tr>
<tr><td>Documentation and Analysis

<i>(For Streamlined Accept and Standard Documentation Levels)</i></td>
<td>An existing lease, if available, must be used to determine the net rental income. The lender must make reasonable efforts to determine lease availability, including review of the appraisal, comparable rent data, purchase contract, a discussion with the borrower and/or any other applicable and reasonable method, or
If a lease is not available, Forms 72 or 1000, as applicable, may be used to determine the net rental income</td>
<td>Lease must be used to determine the net rental income; and
Forms 72 or 1000 supporting the income reflected on the lease; or
Documentation verifying receipt of two months of rental payments or receipt of the security deposit and the first month's rental payment[1]
Documentation must include:
Evidence that the payments were cashed or deposited into the borrower's depository account at a financial institution (e.g., bank statements evidencing deposit or</td></tr>
</table>
</td></tr>
</table>

Topic	Impacted Document	Impacted Products	Current Standards	Revised Standards Effective for EXISTING AND NEW Loan Applications ON OR AFTER November 22, 2024
			transfer application account that is owned by the borrower (e.g., a screen shot or monthly account statement evidencing transfer of the payments and the borrower's name, a screen shot that evidences transfer of the payments and ties the account to the borrowers bank account), or • For security deposits, evidence of deposit into an escrow or business account established for this purpose, or evidence payment was cashed or deposited into the	canceled checks), or • Evidence that the payments were transferred into a third-party money transfer application account that is owned by the borrower (e.g., a screen shot or monthly account statement evidencing transfer of the payments and the borrower's name, a screen shot that evidences transfer of the payments and ties the account to the borrowers bank account), or • For security deposits, evidence of deposit into an escrow or business account

Topic	Impacted Document	Impacted Products	Current Standards	Revised Standards Effective for EXISTING AND NEW Loan Applications ON OR AFTER November 22, 2024

		borrower's personal depository account at a financial institution - Purchase date or conversion date, as applicable, must be documented
Lease Requirements	The existing lease must be current and fully executed in the property seller's name as the landlord. **Truist Note:** Truist clarifies that the rental payment on the lease must be reflected in U.S. dollars (cannot be in cryptocurrency).	- The lease must be current and fully executed. - For newly executed leases, the first rental payment due date must be no later than the first payment due date of the subject mortgage. **Truist Note:** Truist clarifies that the rental payment on the lease must be reflected in U.S. dollars (cannot be in cryptocurrency).
Maximum Eligible Amount of Net Rental Income	- The borrower must currently own a primary residence to use rental income to qualify when purchasing a new rental property in the current calendar year. In such instances, net rental income can only offset the principal, interest, taxes and insurance (PITI) and when applicable, mortgage insurance premiums, leasehold payments, homeowners association dues (excluding unit utility charges) and payments on secondary financing (full monthly payment) of the new rental property. - If the borrower's current primary residence is being converted to a rental property, net rental income can only offset the full monthly payment of that primary residence. - If the net rental income exceeds the full monthly payment of the new rental property or the converted primary residence, as applicable, the excess rental income cannot be added to the borrower's gross monthly income to qualify, unless, the file documentation demonstrates the borrower has a minimum of one-year investment property management experience.	
[1] Form 72 or 1000 is always required for the subject property as described in the "Appraisal Form Requirements Documentation and Analysis" subsection previously presented in this subtopic.		

Topic	**Rental Income from Property Owned in the Prior Calendar Year[1]**

		established for this purpose, or evidence payment was cashed or deposited into the borrower's personal depository account at a financial institution - Purchase date or conversion date, as applicable, must be documented
Lease Requirements	The existing lease must be current and fully executed in the property seller's name as the landlord. **Truist Note:** Truist clarifies that the rental payment on the lease must be reflected in U.S. dollars (cannot be in cryptocurrency).	- The lease must be current and fully executed. - For newly executed leases, the first rental payment due date must be no later than the first payment due date of the subject mortgage. **Truist Note:** Truist clarifies that the rental payment on the lease must be reflected in U.S. dollars (cannot be in cryptocurrency).
Limitations on Use of Net Rental Income to Qualify for Certain Transaction Types	**For Subject Investment Property Purchase Transactions:** - To use rental income to qualify, each borrower must currently own a primary residence or have a current rental housing payment documented in accordance with the requirements outlined in the "Ratios" and "Rental Housing Payment" subtopics subsequently presented in this document. **Exception:** Borrowers currently	**For a Primary Residence that is Being Converted to an Investment Property:** - Net rental income can only offset the principal, interest, taxes and insurance (PITI) and, when applicable, mortgage insurance premiums, leasehold payments, homeowners association dues (excluding unit utility charges) and payments on secondary financing on the converted primary residence unless documentation in the mortgage file demonstrates that at least one borrower has a minimum of one year of investment property management experience. If the investment property management experience requirement is met, then the

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

Topic	Impacted Document	Impacted Products	Current Standards	Revised Standards Effective for EXISTING AND NEW Loan Applications ON OR AFTER November 22, 2024

			Documentation
			
			(For Streamlined Accept and Standard Documentation Levels)
			
			The lender must obtain the borrower's complete federal income tax returns (Internal Revenue Service (IRS) Form 1040) including the Schedule E for the most recent year. Except as set forth below when use of a signed lease may be permitted, if the subject property has been owned for at least one year and income from the subject property is reported on the borrower's federal income tax returns, the lender must use the Schedule E to determine the net rental income or loss.
			- A signed lease may be used if:
			  - The property was out of service for any time period in the prior year and the mortgage file contains a documented event such as a renovation and the Schedule E supports this by a reduced number of days in use and reflects repair costs; or
			  - The property was purchased later in the calendar year and the Schedule E supports this by a reduced number of days in use;
			  - And, in either of the above instances, additional documentation provided as follows:
			    - Form 72 or 1000 supporting the income reflected on the lease; or
			    - Documentation verifying two months of receipt of rental payments or the security deposit and receipt of the first month's rental payment. Documentation must include:
			      - Evidence that the payments were cashed or deposited into the borrower's depository account at a financial institution (e.g., bank statements evidencing deposit or canceled checks), or
			      - Evidence that the payments were transferred into a third-party money transfer application account that is owned by the borrower (e.g., a screen shot or monthly account statement evidencing transfer of the payments and the borrower's name, a screen shot that evidences transfer of the payments and ties the account to the borrowers bank account), or
			      - For security deposits, evidence of deposit into an escrow or business account established for this purpose, or evidence payment was cashed or deposited into the borrower's personal depository account at a financial institution
			
			      - Unless the above requirements are met, a signed lease may not be used and the rental income or loss from the Schedule
				residing in the same property, provided at least one borrower owns a primary residence or has a current rental housing payment.
				
				- Net rental income can only offset the principal, interest, taxes and insurance (PITI) and, when applicable, mortgage insurance premiums, leasehold payments, homeowners association dues (excluding unit utility charges) and payments on secondary financing on the subject investment property unless documentation in the mortgage file demonstrates that at least one borrower has a minimum of one year of investment property management experience. If the investment property management experience requirement is met, the full amount of the net rental income can be used for qualifying.
				
				full amount of the net rental income can be used for qualifying.
				
				~~Maximum Eligible Amount of Net Rental Income~~
				- ~~The borrower must currently own a primary residence to use rental income to qualify when purchasing a new rental property in the current calendar year. In such instances, net rental income can only offset the principal, interest, taxes and insurance (PITI) and when applicable, mortgage insurance premiums, leasehold payments, homeowners association dues (excluding unit utility charges) and payments on secondary financing (full monthly payment) of the new rental property.~~
				- ~~If the borrower's current primary residence is being converted to a rental property, net rental income can only offset the full monthly payment of that primary residence.~~

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Topic	Impacted Document	Impacted Products	Current Standards	Revised Standards Effective for EXISTING AND NEW Loan Applications ON OR AFTER November 22, 2024

	E must be used and annualized for qualifying purposes.
Lease Requirements	- Leases must be current and fully executed. - For newly executed leases, the first rental payment due date must be no later than the first payment due date of the subject mortgage.
[1] Form 72 or 1000 is always required for the subject property, as described in the "Appraisal Form Requirements Documentation and Analysis" previously presented in this subtopic.	

- **Establishing the Debt Payment-to-Income Ratio**
  - The following chart contains requirements pertaining to establishing the debt payment-to-income ("DTI") ratio.

DTI Ratio Using Net Rental Income	
Topic	**Requirements**
Net Rental Income Amount and Usage	When establishing the DTI ratio, refer to "Net Rental Income Calculation Requirements" section immediately presented above, for the net rental income calculation requirements. See "Documentation, History, and Analysis," in the section outlined above, for additional information regarding the maximum eligible amount of net rental income.
2- to 4-unit Primary Residence	- The monthly housing expense (as described in the "Qualifying Ratios" subtopic subsequently outlined in this document) must be calculated without the use of rental income - The net rental income may be added to the stable monthly income
Subject 1- to 4-unit Investment Property	Subtract the monthly payment amount (as described in the "Qualifying Ratios" subtopic subsequently outlined in this document) from the net rental income: - If the result is positive, add it to the stable monthly income - If the result is negative, add it to the monthly liabilities
Rental Income from Non-Subject Investment Property Owned by the Borrower	Subtract the monthly payment amount (as described in the "Qualifying Ratios" subtopic subsequently outlined in this document) from the net rental income: - If the result is positive, add it to the stable monthly income - If the result is negative, add it to the monthly liabilities

	~~- If the net rental income exceeds the full monthly payment of the new rental property or the converted primary residence, as applicable, the excess rental income cannot be added to the borrower's gross monthly income to qualify, unless, the file documentation demonstrates the borrower has a minimum of one-year investment property management experience.~~
[1] Form 72 or 1000 is always required for the subject property as described in the "Appraisal Form Requirements Documentation and Analysis" section previously presented in this subtopic.	

Topic	Rental Income from Property Owned in the Prior Calendar Year~~[1]~~
Documentation ***(For Streamlined Accept and Standard Documentation Levels)***	The lender must obtain the borrower's complete federal income tax returns (Internal Revenue Service (IRS) Form 1040), including the Schedule E for the most recent year as described in the "Age of Tax Return" requirements previously presented in this document. In addition, if the property was purchased or converted to a rental property in the prior calendar year, the purchase or conversion date, as applicable, must be documented in the mortgage file. Rental income used for qualifying must be calculated using Schedule E, except as stated below for when a signed lease may be used in lieu of Schedule E. **Calculating Qualifying Income using Schedule E:** - If the property was owned as a rental property during the entire calendar year, the rental income or loss used in qualifying must be annualized by dividing by 12. **Exception**: The qualifying income may be established based on the number of days in service provided that the property was out of service for any time period in the prior year, and the mortgage file contains documentation of an event such as a renovation, as supported by a reduced number of days in use and repair costs on Schedule E. - If the property was purchased or converted to a rental property later in the prior calendar year, the rental income used for qualifying must be based on the purchase or conversion date. **Exception**: The qualifying income may be established based on the number of days in service on Schedule E, provided that the property was out of service for a period of time after the purchase or conversion, and the mortgage file contains documentation of an event

Topic	Impacted Document	Impacted Products	Current Standards	Revised Standards Effective for EXISTING AND NEW Loan Applications ON OR AFTER November 22, 2024

			For multiple non-subject investment properties, apply the calculation above to each property, and:
			• If the combined result is positive, add it to the stable monthly income
			• If the combined result is negative, add it to the monthly liabilities
			
			• **IRS Form 8825, *Rental Real Estate Income and Expenses of a Partnership or an S Corporation***
			  • See the “Self-Employed Income” subtopic subsequently outlined in this document for guidance related to the treatment of all rental real estate income or loss reported on the IRS Form 8825, which reflects all income and expenses for the rental property and the IRS Schedule K-1, which reflects the borrower's proportionate share of the net rental income or loss. The requirements outlined in the “Self-Employed Income” subtopic are applicable regardless of the borrower's percentage of ownership interest in the partnership or S-corporation and regardless of whether the borrower is personally obligated on the note.
			
			• **Data Delivery Requirements for Rental Income**
			  • Regardless of whether rental income from the subject investment property is being used to qualify the borrower, the lender must deliver the ULDD Data Point *Property Dwelling Unit Eligible Rent Amount* for:
			    • Subject 1-unit investment property
			    • Each non-owner occupied unit in a 2- to 4-unit primary residence
			    • Each unit in a subject 2- to 4-unit investment property
			
			Reference: See “Investment Properties” and “Primary Residences” in the “Occupancy/Property Types” subtopic previously outlined in this document for additional information.
				such as a renovation, as supported by a reduced number of days in use and repair costs on Schedule E.
				
				Using a Signed Lease in Lieu of Schedule E:
				• A signed lease may be used when:
				  • The most recent tax return filed with the IRS does not include the rental property on Schedule E (e.g., the tax return for the year during which the property was purchased or converted is on extension), or
				  • The property was out of service for any time period during the prior year, and the mortgage file contains documentation of an event such as a renovation, as supported by a reduced number of days in use and repair costs on the Schedule E
				• When a lease is used to calculate rental income, the mortgage file must include the following additional documentation:
				  • Form 72 or 1000 supporting the income reflected on the lease, or
				  • Documentation verifying two months of receipt of rental payments or the security deposit and receipt of the first month's rental payment[1].
				  Documentation must include:
				    • Evidence that the payments were cashed or deposited into the borrower's depository account at a financial institution (e.g., bank statements evidencing deposit or canceled checks), or
				    • Evidence that the payments were transferred into a third-party money transfer application account that is owned by the borrower (e.g., a screen shot or monthly account statement evidencing transfer of the payments and the borrower's name, a screen shot that evidences transfer of the payments and ties the account to the borrowers bank account), or
				    • For security deposits, evidence of deposit into an escrow or business account established for this purpose, or evidence payment was cashed or deposited into the borrower's personal depository account at a financial institution
				
				      • ~~Unless the above requirements are met, a signed lease may not be used and the rental income or loss from the Schedule E must be used and annualized for qualifying purposes.~~

<table>
<tr><th>Topic</th><th>Impacted Document</th><th>Impacted Products</th><th>Current Standards</th><th>Revised Standards
Effective for EXISTING AND NEW Loan Applications ON OR AFTER November 22, 2024</th></tr>
<tr><td></td><td></td><td></td><td></td><td>
<table>
<tr><td>Lease Requirements</td><td>Leases must be current and fully executed.
For newly executed leases, the first rental payment due date must be no later than the first payment due date of the subject mortgage.
Truist Note: Truist clarifies that the rental payment on the lease must be reflected in U.S. dollars (cannot be in cryptocurrency).</td></tr>
<tr><td colspan="2">[1] Form 72 or 1000 is always required for the subject property, as described in the “Appraisal Form Requirements Documentation and Analysis” section previously presented in this subtopic.</td></tr>
</table>
Establishing the Debt Payment-to-Income Ratio
The following chart contains requirements pertaining to establishing the debt payment-to-income ("DTI") ratio.
<table>
<tr><th colspan="2">DTI Ratio Using Net Rental Income</th></tr>
<tr><th>Topic</th><th>Requirements</th></tr>
<tr><td>Net Rental Income Amount and Usage</td><td>When establishing the DTI ratio, refer to the “Net Rental Income Calculation Requirements” section ~~immediately~~ presented above, for the net rental income calculation requirements.

See “Documentation, History, and Analysis,” in the section outlined above, for additional information regarding the maximum eligible amount of net rental income.</td></tr>
<tr><td>2- to 4-unit Primary Residence</td><td>The monthly housing expense (as described in the “Qualifying Ratios” subtopic subsequently outlined in this document) must be calculated without the use of rental income
The net rental income may be added to the stable monthly income</td></tr>
<tr><td>Subject 1- to 4-unit Investment Property</td><td>Subtract the monthly payment amount (as described in the “Qualifying Ratios” subtopic subsequently outlined in this document) from the net rental income:
If the result is positive, add it to the stable monthly income
If the result is negative, add it to the monthly liabilities</td></tr>
<tr><td>Rental Income from Non-Subject Investment Property Owned by the Borrower</td><td>Subtract the monthly payment amount (as described in the “Qualifying Ratios” subtopic subsequently outlined in this document) from the net rental income:
If the result is positive, add it to the stable monthly income</td></tr>
</table>
</td></tr>
</table>

Topic	Impacted Document	Impacted Products	Current Standards	Revised Standards Effective for EXISTING AND NEW Loan Applications ON OR AFTER November 22, 2024

			Section 2.01a Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages Standard Income / Border Income
			
			Freddie Mac LPA
			Follow LPA requirements, which are as follows:
			• Rental income from a 1-unit primary residence may be considered as stable monthly income provided it meets the "Rental Income from a Live-in Aide Residing in a 1-unit Primary Residence" or "Rental income generated from an ADU on a subject 1-unit Primary Residence" requirements outlined in the "Rental Income" subtopic within Section 2.01: Agency Loan Standard or the following:
			  • The person providing the rental income:
			    • Is not obligated on the mortgage and does not have an ownership interest in the mortgaged premises
			    • Has resided with the borrower for at least one year
			    • Will continue residing with the borrower in the new residence
			    • Provides appropriate documentation to evidence residency with the borrower (i.e., copy of a driver's license, bill, bank statement, etc., that shows the address of that person to be the same as the borrower's address)
				• If the result is negative, add it to the monthly liabilities
				
				For multiple non-subject investment properties, apply the calculation above to each property, and:
				• If the combined result is positive, add it to the stable monthly income
				• If the combined result is negative, add it to the monthly liabilities
				
				• **IRS Form 8825, *Rental Real Estate Income and Expenses of a Partnership or an S Corporation***
				  • See the "Self-Employed Income" subtopic subsequently outlined in this document for guidance related to the treatment of all rental real estate income or loss reported on the IRS Form 8825, which reflects all income and expenses for the rental property and the IRS Schedule K-1, which reflects the borrower's proportionate share of the net rental income or loss. The requirements outlined in the "Self-Employed Income" subtopic are applicable regardless of the borrower's percentage of ownership interest in the partnership or S-corporation and regardless of whether the borrower is personally obligated on the note.
				
				• **Data Delivery Requirements for Rental Income**
				  • Regardless of whether rental income from the subject investment property is being used to qualify the borrower, the lender must deliver the ULDD Data Point *Property Dwelling Unit Eligible Rent Amount* for:
				    • Subject 1-unit investment property
				    • Each non-owner occupied unit in a 2- to 4-unit primary residence
				    • Each unit in a subject 2- to 4-unit investment property
				
				  Reference: See "Investment Properties" and "Primary Residences" in the "Occupancy/Property Types" subtopic previously outlined in this document for additional information.
				
				Section 2.01a Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages Standard Income / Border Income
				
				Freddie Mac LPA
				Follow LPA requirements, which are as follows:
				• Rental income from a 1-unit primary residence may be considered stable monthly income provided it meets the "General Eligibility Requirements" outlined in the "Rental Income" subtopic within Section 2.01: Agency Loan Standard and:
				• the "Rental Income from Live-in Aide Residing in a 1-Unit Primary Residence" requirements outlined in the "Rental Income" subtopic within Section 2.01: Agency Loan Standard, or
				• the "Rental Income Generated from an ADU on a Subject 1-Unit Primary Residence" requirements outlined in the "Rental Income" subtopic within Section 2.01: Agency Loan Standard, or
				• the following requirements:
				  • The person providing the rental income:
				    • Must not be obligated on the mortgage and must not have an ownership interest in the mortgaged premises
				    • Must have resided with the borrower for at least one year

Topic	Impacted Document	Impacted Products	Current Standards	Revised Standards Effective for EXISTING AND NEW Loan Applications ON OR AFTER November 22, 2024
			• Is not the borrower's spouse or domestic partner • Rental income from the person residing in the mortgaged premises: • Has been paid to the borrower for the past 12 months • Can be verified by the borrower with evidence showing receipt of regular payments of rental income to the borrower for at least nine of the past 12 months (i.e., copies of cancelled checks) • Must be averaged over 12 months for qualifying purposes when fewer than 12 months are documented • Does not exceed 30% of total income used to qualify for the mortgage • The mortgage file must contain a written statement in the form of a signed letter or e-mail directly from the borrower affirming: • The source of the rental income • The fact that the person providing the rental income has resided with the borrower for the past year and intends to continue residing with the borrower in the new residence for the foreseeable future • Rental income that meets the above requirements may be generated from an accessory unit. In addition, see “Property with an Accessory Unit” in the “Improvements Section of the Appraisal Report” subtopic, outlined in the “Appraisal Analysis: Agency Loan Standard” topic, within Section 1.07: Appraisal Standard for the property eligibility and appraisal requirements.	• Will continue residing with the borrower in the new residence • Must provide appropriate documentation to evidence residency with the borrower (e.g., driver's license, bill, bank statement, etc., showing their address matches the borrower's address) • Cannot be the borrower's spouse or domestic partner • Rental income from the person residing in the mortgaged premises: • Must have been paid to the borrower for the past 12 months • Can be verified through evidence showing receipt of regular payments of rental income to the borrower for at least nine of the past 12 months (e.g., copies of cancelled checks) • Must be averaged over 12 months for qualifying purposes if fewer than 12 months of payments are documented • Cannot exceed 30% of total income used to qualify for the mortgage • The mortgage file must contain a written statement in the form of a signed letter or e-mail directly from the borrower affirming: • The source of the rental income • The fact that the person providing the rental income has resided with the borrower for the past year and intends to continue residing with the borrower in the new residence for the foreseeable future • ~~Rental income that meets the above requirements may be generated from an accessory unit. In addition, see “Property with an Accessory Unit” in the “Improvements Section of the Appraisal Report” subtopic, outlined in the “Appraisal Analysis: Agency Loan Standard” topic, within Section 1.07: Appraisal Standard for the property eligibility and appraisal requirements.~~

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

Topic	Impacted Document	Impacted Products	Current Standards	Revised Standards Effective for Loans with Application Dates ON OR AFTER December 03, 2024
Appraisal Requirements	Correspondent Section 2.01 Agency Loan Standard & Correspondent Section 1.07 Appraisal Standard	• Standard Agency (non-AUS & DU) • Agency Plus (DU) • Agency Plus Select (DU) • Home Ready® (non-AUS and DU) • Texas Section 50(a)(6) Mortgages (non-AUS & DU)	**Section 2.01 Agency Loan Standard** **Appraisal Requirements / Lender Responsibilities** **Non-AUS** ***Note**: Below is an EXCERPT only of the requirements from the above referenced section.* • **Lender Responsibilities** • The lender is responsible for ensuring that the subject property provides adequate collateral for the mortgage. For most loans, Fannie Mae requires that the lender obtain a signed and complete appraisal report that accurately reflects the market value, condition, and marketability of the property. • If an appraisal is obtained, the lender is responsible for: • providing the borrower disclosures and requirements described in the "Appraisal Quality Matters" subtopic presented in the "Appraisal Analysis: Agency Loan Programs" topic within Section 1.07: Appraisal Standard; • compliance with the *Appraiser Independence Requirements*; • selection of the appraiser; • compliance with the Uniform Appraisal Dataset (UAD) when applicable; • ensuring the appraiser has utilized sound reasoning and provided evidence to support the methodology chosen to develop the value opinion, particularly in cases that are not covered by Fannie Mae requirements; • successful submission of the appraisal through the UCDP prior to delivery; and • continually evaluating the appraiser's work through the quality control process. *All other currently published requirements in this section remain the same.* **Fannie Mae DU** Follow DU requirements, which are the same as non-AUS requirements, except as follows: • **Lender Responsibilities** • The lender is responsible for ensuring that the subject property provides adequate collateral for the mortgage. For most loans, Fannie Mae requires that the lender obtain a signed and complete appraisal report that accurately reflects the market value, condition, and marketability of the property. Some loans may be eligible for a value acceptance option, and an appraisal is not required if the lender exercises the option and complies with the related requirements. See the "Fannie Mae's DU Value Acceptance (Appraisal Waivers)" and "Fannie Mae's DU Value Acceptance + Property Data" subtopics, subsequently presented in this topic, for additional information. • If an appraisal is obtained, the lender is responsible for: • providing the borrower disclosures and requirements described in the "Appraisal Quality Matters" subtopic presented in the "Appraisal Analysis: Agency Loan Programs" topic within Section 1.07: Appraisal Standard; • compliance with the *Appraiser Independence Requirements*; • selection of the appraiser; • compliance with the Uniform Appraisal Dataset (UAD) when applicable; • ensuring the appraiser has utilized sound reasoning and provided evidence to support the methodology chosen to develop the value opinion, particularly in cases that are not covered by Fannie Mae requirements; • successful submission of the appraisal through the UCDP prior to delivery; and • continually evaluating the appraiser's work through the quality control process. • If the transaction involves property data collection, the lender is responsible for: • compliance with the *Property Data Collector Independence Requirements*;	**Section 2.01 Agency Loan Standard** **Appraisal Requirements / Lender Responsibilities** **Non-AUS** ***Note**: Below is an EXCERPT only of the requirements from the above referenced section.* • **Lender Responsibilities** • The lender is responsible for ensuring that the subject property provides adequate collateral for the mortgage. For most loans, Fannie Mae requires that the lender obtain a signed and complete appraisal report that accurately reflects the market value, condition, and marketability of the property. • If an appraisal is obtained, the lender is responsible for: • providing the borrower disclosures and requirements described in the "Appraisal Quality Matters" subtopic presented in the "Appraisal Analysis: Agency Loan Programs" topic within Section 1.07: Appraisal Standard; • compliance with the *Appraiser Independence Requirements*; • selection of the appraiser; • compliance with the Uniform Appraisal Dataset (UAD) when applicable; • ensuring the appraiser has utilized sound reasoning and provided evidence to support the methodology chosen to develop the value opinion, particularly in cases that are not covered by Fannie Mae requirements; • successful submission of the appraisal through the UCDP prior to delivery; ~~and~~ • continually evaluating the appraiser's work through the quality control process; and • ensuring the appraisal does not contain subjective and prohibited language relating to discriminatory practices and appraisal bias. *All other currently published requirements in this section remain the same.* **Fannie Mae DU** Follow DU requirements, which are the same as non-AUS requirements, except as follows: • **Lender Responsibilities** • The lender is responsible for ensuring that the subject property provides adequate collateral for the mortgage. For most loans, Fannie Mae requires that the lender obtain a signed and complete appraisal report that accurately reflects the market value, condition, and marketability of the property. Some loans may be eligible for a value acceptance option, and an appraisal is not required if the lender exercises the option and complies with the related requirements. See the "Fannie Mae's DU Value Acceptance (Appraisal Waivers)" and "Fannie Mae's DU Value Acceptance + Property Data" subtopics, subsequently presented in this topic, for additional information. • If an appraisal is obtained, the lender is responsible for: • providing the borrower disclosures and requirements described in the "Appraisal Quality Matters" subtopic presented in the "Appraisal Analysis: Agency Loan Programs" topic within Section 1.07: Appraisal Standard; • compliance with the *Appraiser Independence Requirements*; • selection of the appraiser; • compliance with the Uniform Appraisal Dataset (UAD) when applicable; • ensuring the appraiser has utilized sound reasoning and provided evidence to support the methodology chosen to develop the value opinion, particularly in cases that are not covered by Fannie Mae requirements; • successful submission of the appraisal through the UCDP prior to delivery; ~~and~~ • continually evaluating the appraiser's work through the quality control process; and

Topic	Impacted Document	Impacted Products	Current Standards	Revised Standards Effective for Loans with Application Dates ON OR AFTER December 03, 2024
			• selection of the property data collector; • successful submission of the data to Fannie Mae's Property Data API prior to loan delivery; and • continually evaluating the property data collector's work through the quality control process.	• ensuring the appraisal does not contain subjective and prohibited language relating to discriminatory practices and appraisal bias. • If the transaction involves property data collection, the lender is responsible for: • compliance with the *Property Data Collector Independence Requirements*; • selection of the property data collector; • successful submission of the data to Fannie Mae's Property Data API prior to loan delivery; and • continually evaluating the property data collector's work through the quality control process.
			Section 2.01 Agency Loan Standard **Appraisal Requirements / Disclosure of Information to Appraisers** **Non-AUS** • **Overview** • Any and all information about the subject property that the lender is aware of must be disclosed to the appraiser. The appraiser must determine if the information could affect either the marketability of the property or the opinion of the market value of the property. • **Sales Contract Information** • All financing data and sales concessions for the subject property that will be or have been granted by anyone associated with the transaction must be disclosed to the appraiser, as appropriate. Typically, this information is provided in the sales contract. Therefore, the lender must provide, or ensure that the appraiser is provided with, a copy of the complete, ratified sales contract and all addenda for the property that is to be appraised. • **Information Disclosed to the Appraiser** • **Financial Information** • The list below includes items that must be disclosed to the appraiser on purchase transactions, if applicable: • settlement charges, • loan fees or charges, • discounts to the sales price, • interest rate buydowns, • below-market-rate financing, • terms of any subordinate financing provided by interested parties, • credits or refunds of borrower expenses, • absorption or monthly payments, • assignment of rent payments, and • any other information not listed above that impacts property value. • **Property Information** • The list below includes items that must be disclosed, if applicable: • condo or PUD fees, • non-realty items included in the transaction, • any environmental hazard in or on the subject property or in the vicinity of the property that the lender is aware of or learns from the borrower, the real estate broker, or any other party to the transaction (See "Environmental Hazards Appraisal Requirements" in the "Appraisal Analysis: Agency Loan Programs" topic presented in	**Section 2.01 Agency Loan Standard** **Appraisal Requirements / Disclosure of Information to Appraisers** **Non-AUS** • **Overview** • All information about the subject property ~~that~~ the lender is aware of must be disclosed to the appraiser and the details provided must comply with unacceptable appraisal practices (see "Unacceptable Appraisal Practices" previously presented in this topic for additional information). The appraiser must determine if the information could affect either the marketability of the property or the opinion of the market value of the property. • **Sales Contract Information** • All financing data and sales concessions for the subject property that will be or have been granted by anyone associated with the transaction must be disclosed to the appraiser, as appropriate. Typically, this information is provided in the sales contract. Therefore, the lender must provide, or ensure that the appraiser is provided with, a copy of the complete, ratified sales contract and all addenda for the property that is to be appraised. • **Information Disclosed to the Appraiser** • **Financial Information** • The list below includes items that must be disclosed to the appraiser on purchase transactions, if applicable: • settlement charges, • loan fees or charges, • discounts to the sales price, • interest rate buydowns, • below-market-rate financing, • terms of any subordinate financing provided by interested parties, • credits or refunds of borrower expenses, • absorption of monthly payments, • assignment of rent payments, and • any other information not listed above that impacts property value. • **Property Information** • The list below includes items that must be disclosed, if applicable: • condo or PUD fees, • non-realty items included in the transaction,

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			Section 1.07: Appraisal Standard of the *Correspondent Seller Guide* for additional information), and • any other items that affect the safety, soundness, or structural integrity of a property of which the lender may be aware. • **Contract Changes After the Appraisal is Completed** • If the contract is amended after the effective date of the appraisal in a way that does not affect the description of the property, then the lender is not required to provide the amended contract to the appraiser nor obtain a revised appraisal. Some examples of amendments that do not require the lender to provide the amended contract nor obtain revisions to the already-completed appraisal report include: • sale price, • transaction terms, • financing concessions, • seller-paid closing costs, • names or initials, • closing date, and • correction of minor clerical errors such as misspellings. **Fannie Mae DU** Follow DU requirements, which are the same as non-AUS requirements.	• any environmental hazard in or on the subject property or in the vicinity of the property that the lender is aware of or learns from the borrower, the real estate agent, or any other party to the transaction (see "Environmental Hazards Appraisal Requirements" in the "Appraisal Analysis: Agency Loan Programs" topic presented in Section 1.07: Appraisal Standard of the *Correspondent Seller Guide* for additional information), and • any other items that affect the safety, soundness, or structural integrity of a property of which the lender may be aware. • **Contract Changes After the Appraisal is Completed** • If the contract is amended after the effective date of the appraisal in a way that does not affect the description of the property, then the lender is not required to provide the amended contract to the appraiser nor obtain a revised appraisal. Some examples of amendments that do not require the lender to provide the amended contract nor obtain revisions to the already-completed appraisal report include: • sale price, • transaction terms, • financing concessions, • seller-paid closing costs, • names or initials, • closing date, and • correction of minor clerical errors such as misspellings. **Fannie Mae DU** Follow DU requirements, which are the same as non-AUS requirements.
			Section 2.01 Agency Loan Standard **Appraisal Requirements / Hybrid Appraisals** **Truist Note**: DU and LPA loans originated with a hybrid appraisal must be underwritten by the Correspondent lender (approved by Truist for delegated underwriting authority). DU and LPA loans originated with a hybrid appraisal are not eligible for purchase if Truist underwrites the loan. ***Note**: Below is an EXCERPT only of the requirements from the above referenced section.* **Non-AUS** Not eligible **Fannie Mae DU** Follow DU requirements, which are as follows: • **Overview** • A hybrid appraisal reported on the *Uniform Residential Appraisal Report (Hybrid)* (Form 1004 Hybrid) or *Individual Condominium Unit Appraisal Report (Hybrid)* (Form 1073 Hybrid) are permitted for certain transactions. The minimum scope of work for hybrid appraisals includes consideration by the appraiser of interior and exterior property data collection by a trained and vetted third party (such as a real estate agent, insurance inspector, appraiser, etc.). The appraiser relies on the data collected (and other sources if needed) to identify property characteristics	**Section 2.01 Agency Loan Standard** **Appraisal Requirements / Hybrid Appraisals** **Truist Note**: DU and LPA loans originated with a hybrid appraisal must be underwritten by the Correspondent lender (approved by Truist for delegated underwriting authority). DU and LPA loans originated with a hybrid appraisal are not eligible for purchase if Truist underwrites the loan. ***Note**: Below is an EXCERPT only of the requirements from the above referenced section.* **Non-AUS** Not eligible **Fannie Mae DU** Follow DU requirements, which are as follows: • **Overview** • A hybrid appraisal reported on the *Uniform Residential Appraisal Report (Hybrid)* (Form 1004 Hybrid) or *Individual Condominium Unit Appraisal Report (Hybrid)* (Form 1073 Hybrid) are permitted for certain transactions and must conform to unacceptable appraisal practices (see "Unacceptable Appraisal Practices" previously presented in this topic for additional information). The minimum scope of work for hybrid appraisals includes consideration by the appraiser of interior and exterior property data collection by a trained and vetted third party (such as a real estate agent, insurance inspector, appraiser, etc.). The appraiser relies on the data collected (and

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			including condition. The property data collection must comply with the Uniform Property Dataset and be delivered to the Fannie Mae Property Data API. *All other currently published requirements in this section remain the same.*	other sources if needed) to identify property characteristics including condition. The property data collection must comply with the Uniform Property Dataset and be delivered to the Fannie Mae Property Data API. *All other currently published requirements in this section remain the same.*

			Section 1.07 Appraisal Standard
			Appraisal Analysis: Agency Loan Programs / Review of the Appraisal Report
			Non-AUS
			• **Overview**
			  • Fannie Mae's appraisal report forms and the appraisal review requirements for one- to four-unit properties have been developed with the intent that the USPAP standards are followed and that Fannie Mae's requirements are supportive of fair lending practices. This topic provides lender requirements related to the transaction details and the property and appraisal eligibility analysis.
			• **Appraisal Report Analysis**
			  • When an appraisal is obtained, the lender must analyze the:
			    • current contract for sale for purchase money transactions,
			    • current offering or listing for sale for both purchase and refinance transactions when the home was listed for sale,
			    • comparable sales for both purchase and refinance transactions, and
			    • current ownership for the subject property. (See "Confirmation and Documentation of the Current Owner" in the "Lender Responsibilities" subtopic in the "Appraisal Requirements" topic within Section 2.01 Agency Loan Standard for additional information).
			  • The lender is responsible for validating that:
			    • the property meets eligibility criteria; and
			    • the appraiser has provided an accurate and reliable opinion of value that reflects the market value, condition, and marketability of the subject property in compliance with published Agency requirements. (See the "Appraisal Quality Matters" subtopic subsequently presented in this topic for additional information).
			Fannie Mae DU
			Follow DU requirements, which are the same as non-AUS requirements.
				Section 1.07 Appraisal Standard
				Appraisal Analysis: Agency Loan Programs / Review of the Appraisal Report
				Non-AUS
				• **Overview**
				  • Fannie Mae's appraisal report forms and the appraisal review requirements for one- to four-unit properties have been developed with the intent that the USPAP standards are followed and that Fannie Mae's requirements are supportive of fair lending practices. This subtopic provides lender requirements related to the transaction details and the property and appraisal eligibility analysis.
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				    • comparable sales for both purchase and refinance transactions, and
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				  • The lender is responsible for validating that:
				    • the property meets eligibility criteria; ~~and~~
				    • the appraiser has provided an accurate and reliable opinion of value that reflects the market value, condition, and marketability of the subject property in compliance with published Agency requirements. (See the "Appraisal Quality Matters" subtopic subsequently presented in this topic for additional information); and
				    • the appraisal conforms with unacceptable appraisal practices (see "Unacceptable Appraisal Practices" presented in the "Appraisal Requirements" topic within Section 2.01 Agency Loan Standard for additional information).
				Fannie Mae DU
				Follow DU requirements, which are the same as non-AUS requirements.

			Section 1.07 Appraisal Standard
			Appraisal Analysis: Agency Loan Programs / Neighborhood Section of the Appraisal Report
			Non-AUS
			***Note**: Below is an EXCERPT only of the requirements from the above referenced section.*
			• **Overview**
			  • Neighborhood characteristics and trends influence the value of one- to four-unit residences. Therefore, an analysis of the subject property's neighborhood is a key element in the appraisal
				Section 1.07 Appraisal Standard
				Appraisal Analysis: Agency Loan Programs / Neighborhood Section of the Appraisal Report
				Non-AUS
				***Note**: Below is an EXCERPT only of the requirements from the above referenced section.*
				• **Overview**
				  • Neighborhood characteristics and trends influence the value of one- to four-unit residences. Therefore, an analysis of the subject property's neighborhood is a key element in the appraisal

Topic	Impacted Document	Impacted Products	Current Standards	Revised Standards Effective for Loans with Application Dates ON OR AFTER December 03, 2024
			process. The property must be acceptable as security for the mortgage based on its value and marketability. • **Neighborhood Analysis** • Fannie Mae's appraisal report forms and requirements do not require the appraiser to rate or judge the neighborhood. Fannie Mae requires the appraiser to perform an objective neighborhood analysis by identifying neighborhood boundaries, neighborhood characteristics, and the factors that affect the value and marketability of properties in the neighborhood. • **Neighborhood boundaries**. The appraiser should provide an outline of the neighborhood boundaries, which should be clearly delineated using 'North', 'South', 'East', and 'West'. These boundaries may include, but are not limited to streets, legally recognized neighborhood boundaries, waterways, or other natural boundaries that define the separation of one neighborhood from another. Appraisers should not reference a map or other addendum as the only example of the neighborhood boundaries. • **Neighborhood characteristics**. These can be addressed by the types of structures (detached, attached) and architectural styles in the neighborhood (such as row or townhouse, colonial, ranch, or Victorian); current land use (such as single-family residential, commercial, or industrial); typical site size (such as 10000 sf, or 2.00 ac); or street patterns or design (such as one-way street, cul-de-sac, or court). • **Factors that affect the value and marketability of properties in the neighborhood**. These can be addressed by such things as the proximity of the property to employment and amenities, employment stability, appeal to the market, changes in land use, access to public transportation, and adverse environmental influences. • The appraiser must fully consider all of the value-influencing characteristics in the neighborhood and arrive at an appropriate neighborhood description and opinion of value for the property, even if this requires more extensive research for particular property types or for properties in certain geographic locations. • An appraiser must perform a neighborhood analysis in order to identify the area that is subject to the same influences as the property being appraised, based on the actions of typical buyers. The results of a neighborhood analysis enable the appraiser not only to identify the factors that influence the value of properties in the neighborhood, but also to define the area from which to select the market data needed to perform a sales comparison analysis. • In performing a neighborhood analysis, the appraiser • collects pertinent data, • conducts a visual inspection of the neighborhood to observe its physical characteristics and determine its boundaries, and • identifies land uses and any signs that the land uses are changing. • Fannie Mae expects the appraiser and the lender's underwriter to be aware of the varying conditions that characterize different types of neighborhoods. Conditions that are typical in certain neighborhoods may not be present in other neighborhoods. This does not mean that the existence of certain types of conditions or characteristics are unacceptable; rather, it is an indication that they must be viewed in context with the nature of the neighborhood in which the security property is located. For example, some neighborhoods consist of a variety of property types that have different uses. It is not uncommon to find properties that have mixed-uses, such as residential properties that also have child-care facilities, doctor or dental offices, and other types of business or commercial uses. The presence of mixed-use properties or a variety of property types within a neighborhood should be viewed as a neighborhood characteristic that the appraiser considers when performing the neighborhood analysis and describing the neighborhood boundaries.	process. ~~The property must be acceptable as security for the mortgage based on its value and marketability.~~ • **Neighborhood Analysis** • Fannie Mae's appraisal report forms and requirements do not require the appraiser to rate or judge the neighborhood. Fannie Mae requires the appraiser to perform an objective neighborhood analysis by identifying neighborhood boundaries, neighborhood characteristics, and the factors that affect the value and marketability of properties in the neighborhood. • **Neighborhood boundaries**. The appraiser should provide an outline of the neighborhood boundaries, which should be clearly delineated using 'North', 'South', 'East', and 'West'. 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These can be addressed by such things as the proximity of the property to employment and amenities, ~~employment stability,~~ appeal to the market, changes in land use, access to public transportation, and adverse environmental influences. • The appraiser must fully consider all of the value-influencing characteristics in the neighborhood and arrive at an appropriate neighborhood description and opinion of value for the property, even if this requires more extensive research for particular property types or for properties in certain geographic locations. • An appraiser must perform a neighborhood analysis in order to identify the area that is subject to the same influences as the property being appraised, based on the actions of typical buyers. The results of a neighborhood analysis enable the appraiser not only to identify the factors that influence the value of properties in the neighborhood, but also to define the area from which to select the market data needed to perform a sales comparison analysis. • In performing a neighborhood analysis, the appraiser: • collects pertinent data, • conducts a visual inspection of the neighborhood to observe its physical characteristics and determine its boundaries, and • identifies land uses and any signs that the land uses are changing. • Fannie Mae expects the appraiser and the lender's underwriter to be aware of the varying conditions that characterize different types of neighborhoods. Conditions that are typical in certain neighborhoods may not be present in other neighborhoods. This does not mean that the existence of certain types of conditions or characteristics are unacceptable; rather, it is an indication that they must be viewed in context with the nature of the neighborhood in which the security property is located. For example, some neighborhoods consist of a variety of property types that have different uses. It is not uncommon to find properties that have mixed-uses, such as residential properties that also have child-care facilities, doctor or dental offices, and other types of business or commercial uses. The presence of mixed-use properties or a variety of property types within a neighborhood should be viewed as a neighborhood characteristic that the appraiser considers when performing the neighborhood analysis and describing the neighborhood boundaries.

Agency Standards Revisions

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

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			• The appraiser must consider the influence of market forces, including but not limited to, economic, governmental, and environmental factors on property values in the neighborhood. Economic forces that must be considered include such things as the existence of vacant or boarded-up properties in the neighborhood, and the level of essential local support services. Examples of governmental forces that should be taken into consideration include the regulations, laws, and taxes that are imposed on properties. Environmental forces that must be considered include, among other things, the existence of a hazardous waste site on or near the property, and the proximity of a property to an airport. Certain other factors that are not appraisal factors, such as the racial or ethnic composition of a neighborhood or the age or sex of the individuals who live in a particular neighborhood, must not be considered in the valuation process. • The appraiser must determine, analyze, and consider factors in the valuation process based on his or her identification of all forces or factors that have the potential to influence the value of the property. The appraiser must report neighborhood conditions in factual, specific terms and be impartial and specific in describing favorable or unfavorable factors in a neighborhood. If an appraiser can demonstrate by market evidence that a characteristic has an effect on the value or marketability of the properties in the neighborhood, he or she must consider it in the valuation process. The appraiser must not make unsupported assumptions or interject personal opinion or perceptions about market forces or other factors that may or may not affect the use and value of a property. For example, a property located in an older neighborhood can be as sound an investment as a property located in a new neighborhood. *All other currently published requirements in this section remain the same.* **Fannie Mae DU** Follow DU requirements, which are the same as non-AUS standards. **Section 1.07 Appraisal Standard** **Appraisal Analysis: Agency Loan Programs / Comparable Sales** **Non-AUS** ***Note**: Below is an EXCERPT only of the requirements from the above referenced section.* • **Rural Properties** • Rural properties often have large lot sizes, and rural locations can be relatively undeveloped. Therefore, there may be a shortage (or absence) of recent truly comparable sales in the immediate vicinity of a subject property that is in a rural location. Comparable sales located a considerable distance from the subject property can be used if they represent the best indicator of value for the subject property. In such cases, the appraiser must use his or her knowledge of the area and apply good judgment in selecting comparable sales that are the best indicators of value. The appraisal must include an explanation of why the particular comparables were selected. *All other currently published requirements in this section remain the same.* **Fannie Mae DU** Follow DU requirements, which are the same as non-AUS requirements.	• The appraiser must consider the influence of market forces, including but not limited to, economic, governmental, and environmental factors on property values in the neighborhood. Economic forces that must be considered include such things as the existence of vacant or boarded-up properties in the neighborhood, and the level of essential local support services. Examples of governmental forces that should be taken into consideration include the regulations, laws, and taxes that are imposed on properties. Environmental forces that must be considered include, among other things, the existence of a hazardous waste site on or near the property, and the proximity of a property to an airport. Certain other factors that are not appraisal factors, such as the racial or ethnic composition of a neighborhood or the age or sex of the individuals who live in a particular neighborhood, must not be considered in the valuation process. • The appraiser must determine, analyze, and consider factors in the valuation process based on their identification of all forces or factors that have the potential to influence the value of the property. The appraiser must report neighborhood conditions in factual, specific terms and be impartial and specific in describing favorable or unfavorable factors in a neighborhood. If an appraiser can demonstrate by market evidence that a characteristic has an effect on the value or marketability of the properties in the neighborhood, they must consider it in the valuation process. The appraiser must not make unsupported assumptions or interject personal opinion or perceptions about market forces or other factors that may or may not affect the use and value of a property. For example, a property located in an older neighborhood can be as sound an investment as a property located in a new neighborhood. *All other currently published requirements in this section remain the same.* **Fannie Mae DU** Follow DU requirements, which are the same as non-AUS requirements. **Section 1.07 Appraisal Standard** **Appraisal Analysis: Agency Loan Programs / Comparable Sales** **Non-AUS** ***Note**: Below is an EXCERPT only of the requirements from the above referenced section.* • **Rural Properties** • Rural properties often have large lot sizes, and rural locations can be relatively undeveloped. Therefore, there may be a shortage (or absence) of recent truly comparable sales in the immediate vicinity of a subject property that is in a rural location. If the appraiser's analysis of the market data shows the best indicators of value for the subject property are a considerable distance away, those comparable sales can be used if it produces credible assignment results. ~~Comparable sales located a considerable distance from the subject property can be used if they represent the best indicator of value for the subject property. In such cases, the appraiser must use his or her knowledge of the area and apply good judgment in selecting comparable sales that are the best indicators of value.~~ The appraisal must include an explanation of why the particular comparables were selected. *All other currently published requirements in this section remain the same.* **Fannie Mae DU** Follow DU requirements, which are the same as non-AUS requirements.

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			Section 1.07 Appraisal Standard
			Appraisal Analysis: Agency Loan Programs / Adjustments to Comparable Sales
			
			Non-AUS
			
			***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.*
			
			- **Appraiser's Comments and Indicated Value in the Sales Comparison Approach**
			  - The appraiser must provide appropriate comment(s) reflecting the logic and reasoning for the adjustments provided, especially for the characteristics reported on the appraisal report form between the Sales or Financing Concessions and the Condition line items. A statement only recognizing that an adjustment has been made is not acceptable. When appropriate, the appraiser's analysis should also include narrative comments about a current contract, offering, or listing for the subject or comparable sales, current ownership, and recent prior sales or transfers. Additionally, the appraiser's comments must reflect his or her reconciliation of the adjusted (or indicated) values for the comparable sales and identify why the sale(s) were given the most weight in arriving at the indicated value for the subject property. It should be noted that the indicated value in the Sales Comparison Approach must be within the range of the adjusted sales price of the comparables that are reported in the appraisal report form.
			
			Fannie Mae DU
			Follow DU requirements, which are the same as non-AUS standards.
				Section 1.07 Appraisal Standard
				Appraisal Analysis: Agency Loan Programs / Adjustments to Comparable Sales
				
				Non-AUS
				
				***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.*
				
				- **Appraiser's Comments and Indicated Value in the Sales Comparison Approach**
				  - The appraiser must provide appropriate fact-based and objective comment(s) reflecting the logic and reasoning for the adjustments provided, especially for the characteristics reported on the appraisal report form between the Sales or Financing Concessions and the Condition line items. A statement only recognizing that an adjustment has been made is not acceptable. When appropriate, the appraiser's analysis should also include fact-based comments about a current contract, offering, or listing for the subject or comparable sales, current ownership, and recent prior sales or transfers. Additionally, the appraiser's comments must reflect their reconciliation of the adjusted (or indicated) values for the comparable sales and identify why the sale(s) were given the most weight in arriving at the indicated value for the subject property. It should be noted that the indicated value in the Sales Comparison Approach must be within the range of the adjusted sales price of the comparables that are reported in the appraisal report form.
				
				Fannie Mae DU
				Follow DU requirements, which are the same as non-AUS requirements.

			Section 1.07 Appraisal Standard
			Appraisal Analysis: Agency Loan Programs / Cost and Income Approach to Value
			
			Non-AUS
			
			***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.*
			
			- **Income Approach to Value**
			  - The income approach to value is based on the assumption that market value is related to the market rent or income that a property can be expected to earn. The income approach to value is required in the valuation of two-unit to four-unit properties and may be appropriate in neighborhoods that consist of one-unit properties when there is a substantial rental market. The income approach to value may not be appropriate in areas that consist mostly of owner-occupied properties because adequate rental data does not exist for those areas. However, USPAP requires the appraiser to develop and report the result of any approach to value that is necessary for credible assignment results. If the appraiser believes the income approach is necessary for credible assignment results, then the income approach must be included. Appraisals that rely solely on the income approach as an indicator of market value are not acceptable.
			  - When the income approach to value is used, the appraisal report must include the supporting comparable rental and sales data, and the calculations used to determine the gross rent multiplier. If the appraiser has completed the income approach, the lender must thoroughly review the
				Section 1.07 Appraisal Standard
				Appraisal Analysis: Agency Loan Programs / Cost and Income Approach to Value
				
				Non-AUS
				
				***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.*
				
				- **Income Approach to Value**
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				  - When the income approach to value is used, the appraisal report must include the supporting comparable rental and sales data, and the calculations used to determine the gross rent multiplier. If the appraiser has completed the income approach, the lender must thoroughly review the

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			information provided to confirm that the appraiser's analysis and comments for the income approach are consistent with comments mentioned elsewhere in the report. **Fannie Mae DU** Follow DU requirements, which are the same as non-AUS standards.	information provided to confirm that the appraiser's analysis and comments for the income approach are consistent with comments mentioned elsewhere in the report. • The lender must validate these approaches to value in the appraisal report and comply with unacceptable appraisal practices (see "Unacceptable Appraisal Practices" presented in the "Appraisal Requirements" topic within Section 2.01 Agency Loan Standard for additional information). **Fannie Mae DU** Follow DU requirements, which are the same as non-AUS requirements.
			Section 1.07 Appraisal Standard **Appraisal Analysis: Agency Loan Programs / Valuation Analysis and Reconciliation** **Non-AUS** • **Overview** • The valuation sections of Fannie Mae's appraisal report forms enable an appraiser to develop and report, in a concise format, an adequately supported opinion of market value based on the cost, sales comparison, and income approaches to value, as applicable. If the appraiser believes that additional information needs to be provided because of the uniqueness of the property or some other condition, he or she should provide additional supporting data in an addendum to the appraisal report form. • **Reconciliation** • In the Reconciliation section of the appraisal report form, the appraiser considers the reliability and applicability of each of the approaches to value that was utilized in the appraisal report. After consideration of each of the approaches to value, the appraiser will provide his or her final value opinion. In the Reconciliation section, appraisers must • reconcile the reasonableness and reliability of each applicable approach to value, • reconcile the reasonableness and validity of the indicated values, • reconcile the reasonableness of available data, and • select and report the approach or approaches that were given the most weight. • The reconciliation is based on the appraiser's judgment of the results developed as part of the valuation process and must never be an averaging technique with the exception of the use of a weighted average technique that includes proper explanation. The final reconciled indicated value must be within the range of the values indicated by the Approaches used in the appraisal report form. **Fannie Mae DU** Follow DU requirements, which are the same as non-AUS standards.	**Section 1.07 Appraisal Standard** **Appraisal Analysis: Agency Loan Programs / Valuation Analysis and Reconciliation** **Non-AUS** • **Overview** • The valuation sections of Fannie Mae's appraisal report forms enable an appraiser to develop and report, in a concise format, an adequately supported opinion of market value based on the cost, sales comparison, and income approaches to value, as applicable. If the appraiser believes that additional information needs to be provided because of the uniqueness of the property or some other condition, they should provide additional supporting data in an addendum to the appraisal report form. • **Reconciliation** • In the Reconciliation section of the appraisal report form, the appraiser considers the reliability and applicability of each of the approaches to value that was utilized in the appraisal report. After consideration of each of the approaches to value, the appraiser will provide their final value opinion. In the Reconciliation section, appraisers must: • reconcile the reasonableness and reliability of each applicable approach to value, • reconcile the reasonableness and validity of the indicated values, • reconcile the reasonableness of available data, and • select and report the approach or approaches that were given the most weight. • The reconciliation is based on the appraiser's analysis of the results developed as part of the valuation process and must never be an averaging technique with the exception of the use of a weighted average technique that includes proper explanation. The final reconciled indicated value must be within the range of the values indicated by the Approaches used in the appraisal report form. **Fannie Mae DU** Follow DU requirements, which are the same as non-AUS requirements.
			Section 2.01 Agency Loan Standard **Appraisal Requirements / Representations and Warranties on Property Value and Mortgaged Premises** **Non-AUS** • **Representations and Warranties Related to Collateral Underwriter (CU)** • Loans may benefit from enforcement relief of certain representations and warranties related to the appraisal and value of the subject property. To be eligible for relief:	**Section 2.01 Agency Loan Standard** **Appraisal Requirements / Representations and Warranties on Property Value and Mortgaged Premises** **Non-AUS** • **Representations and Warranties Related to Collateral Underwriter (CU)** • Loans may benefit from enforcement relief of certain representations and warranties related to the appraisal and value of the subject property. To be eligible for relief:

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<tr><th>Topic</th><th>Impacted Document</th><th>Impacted Products</th><th>Current Standards</th><th>Revised Standards
Effective for Loans with Application Dates ON OR AFTER December 03, 2024</th></tr>
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the loan must be secured by a one-unit detached, attached, or condo property; and
the appraisal must receive a CU risk score of 2.5 or below.

When this criteria is met, the lender is not responsible for the following requirements:

underwriting the appraisal report to determine whether the subject property presents adequate collateral for the mortgage;
ensuring the appraisal accurately reflects the market value of the property;
ensuring the appraiser used sound reasoning and provided evidence to support the methodology chosen to develop the opinion of value; and
analyzing the comparable sales used in the appraisal report, including the description, selection, adjustments, and reconciliation of the comparables.

The lender remains responsible for the description of the property, and the accuracy and completeness of all data on the appraisal that pertains to the property and project (if applicable). This includes the property’s condition and quality ratings. The lender is also responsible for ensuring the property meets the property eligibility requirements. Lastly, the lender remains responsible for any life-of-loan representations and warranties that may apply to the property or the appraisal.

<p>Fannie Mae DU
Follow DU requirements, which are the same as non-AUS requirements, except as follows:</p>

Representations and Warranties Related to Value Acceptance

When a loan casefile is eligible for value acceptance (appraisal waiver), value acceptance + property data, or rural high needs value acceptance (appraisal waiver) and is exercised by the lender, Fannie Mae accepts the value estimate submitted by the lender as the value for the subject property. The property value the lender enters in DU may be based on:

the lender’s estimate of value, determined at the discretion of the lender, or
the borrower’s estimate of value.

For all value acceptance offers that are exercised, the lender remains responsible for the accuracy and completeness of all data that pertains to the property and project (if applicable) that is submitted to DU (other than the property value) and must warrant that the property is adequately insured.
The following table describes the representations and warranties the lender must make ("Yes") if they exercise a value acceptance (appraisal waiver), value acceptance + property data, or rural-high needs value acceptance (appraisal waiver) offer. The table also identifies the representations and warranties the lender is not responsible for ("No").

<table>
<tr><th rowspan="2"></th><th colspan="4">Representations and Warranties Related to…</th></tr>
<tr><th>Value and Marketability</th><th>Physical Property Characteristics</th><th>Property Eligibility including Condition</th><th>Condition with a Recent Disaster</th></tr>
<tr><td>Value Acceptance (Appraisal Waiver)</td><td>No</td><td>No</td><td>No</td><td>Yes</td></tr>
<tr><td>Value Acceptance + Property Data</td><td>No</td><td>Yes</td><td>Yes*</td><td>Yes</td></tr>
<tr><td>Rural High-Needs Value Acceptance</td><td>No</td><td>Yes</td><td>Yes*</td><td>Yes</td></tr>
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the loan must be secured by a one-unit detached, attached, or condo property; and
the appraisal must receive a CU risk score of 2.5 or below.

<p>Reference: See “Unacceptable Appraisal Practices” previously presented in this topic for examples of unacceptable practices.</p>

When this criteria is met, the lender is not responsible for the following requirements:

underwriting the appraisal report to determine whether the subject property presents adequate collateral for the mortgage;
ensuring the appraisal accurately reflects the market value of the property;
ensuring the appraiser used sound reasoning and provided evidence to support the methodology chosen to develop the opinion of value; and
analyzing the comparable sales used in the appraisal report, including the description, selection, adjustments, and reconciliation of the comparables.

The lender remains responsible for the description of the property, adherence to fair lending, local, state, and federal laws and the accuracy and completeness of all data on the appraisal that pertains to the property and project (if applicable). This includes the property’s condition and quality ratings. The lender is also responsible for ensuring the property meets the property eligibility requirements. Lastly, the lender remains responsible for any life-of-loan representations and warranties that may apply to the property or the appraisal.

<p>Fannie Mae DU
Follow DU requirements, which are the same as non-AUS requirements, except as follows:</p>

Representations and Warranties Related to Value Acceptance

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*Includes warranty that the property is safe, sound, and structurally secure.
Fannie Mae does not warrant that the estimated value provided by the lender is the actual value of the subject property. The lender may not make any statements to any third party (including the borrower) that Fannie Mae performed any kind of appraisal or valuation of the property.
Reference: See the “General Property Eligibility Requirements” subtopic previously presented in this topic for property eligibility requirements and the “Properties Affected by a Disaster” subtopic subsequently presented in this topic for requirements on recent disasters.
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