Agency Standards Revisions

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

Topic	Impacted Document	Impacted Products	Current Standards	Revised Standards (See <u>COR25-001</u> for the Applicable Effective Dates of These Revisions)

Risk Factors Evaluated by DU	Correspondent Section 2.01 Agency Loan Standard	• Standard Agency (DU)
		• Agency Plus (DU)
		• Agency Plus Select (DU)
		• Home Ready® (DU)
		• Texas Section 50(a)(6) Mortgages (DU)
			Underwriting the Borrower / Fannie Mae DU Loans
			
			Fannie Mae DU
			Follow DU requirements, which are as follows:
			
			***Note**: Below is an EXCERPT only of the requirements from the above referenced section.*
			
			• **Risk Factors Evaluated by DU**
			  • DU considers the following characteristics in the credit report to assess the creditworthiness of borrowers who have traditional credit histories: credit history, delinquent accounts, installment accounts, revolving credit utilization, public records, foreclosures, collection accounts, and inquiries.
			  • The non-credit risk factors evaluated by DU include: the borrower's equity and LTV ratio, liquid reserves, loan purpose, loan term, loan amortization type, occupancy type, debt-to-income ratio, housing expense ratio, property type, and variable income.
			  • DU performs a comprehensive evaluation of these factors, weighing each factor based on the amount of risk it represents and its importance to the recommendation. DU analyzes the results of this evaluation along with the evaluation of the borrower's credit profile to arrive at the underwriting recommendation for the loan casefile.
			  • More information on these risk factors is provided below.
			    • **Credit History**
			      • A borrower's credit history is an account of how well the borrower has handled credit, both now and in the past. An older, established history—even though the accounts may have zero balances—will have a more positive impact on the borrower's credit profile than newly established accounts.
			      • A borrower who has a relatively new credit history (a few recently opened accounts) is not automatically considered a high credit risk. Successfully managing newly established accounts, including making payments as agreed, signifies lower risk.
			    • **Delinquent Accounts**
			      • Payment history is a significant factor in the evaluation of the borrower's credit. DU considers the severity of the delinquencies (30, 60, 90, or more days late), the length of time since the delinquencies, and the number and type of accounts that were not paid as agreed.
			      • A payment history that includes bills that are 30 days or more past-due, or a history of paying bills late as evidenced by a number of accounts with late payments, will have a negative impact on the borrower's credit profile. The amount of time that has elapsed since an account was delinquent is an important factor included in the evaluation of the payment history. For example, a 30-day late payment that is less than three months old indicates a higher risk than a 30-day late payment that occurred several years ago.
			    • **Installment Loans**
			      • DU evaluates how well a borrower manages debt for all types of installment loans such as mortgage, auto, unsecured, and student loans. Research has shown that borrowers with no active installment accounts represent a higher risk than borrowers who have active installment accounts.
			    • **Rent Payment History**
			      • For certain first-time homebuyers who have a credit score, the lender may use a 12-month third-party asset verification report to have their rent payment history considered in DU. When DU logic can identify rent payments in the asset verification
				Underwriting the Borrower / Fannie Mae DU Loans
				
				Fannie Mae DU
				Follow DU requirements, which are as follows:
				
				***Note**: Below is an EXCERPT only of the requirements from the above referenced section.*
				
				• **Risk Factors Evaluated by DU**
				  • DU considers the following characteristics in the credit report to assess the creditworthiness of borrowers who have traditional credit histories: credit history, delinquent accounts, installment accounts, revolving credit utilization, public records, foreclosures, collection accounts, and inquiries.
				  • The non-credit risk factors evaluated by DU include: the borrower's equity and LTV ratio, liquid reserves, loan purpose, loan term, loan amortization type, occupancy type, debt-to-income ratio, housing expense ratio, property type, and first-time homebuyer status. ~~variable income.~~
				  • DU performs a comprehensive evaluation of these factors, weighing each factor based on the amount of risk it represents and its importance to the recommendation. DU analyzes the results of this evaluation along with the evaluation of the borrower's credit profile to arrive at the underwriting recommendation for the loan casefile.
				  • More information on these risk factors is provided below.
				    • **Credit History**
				      • A borrower's credit history is an account of how well the borrower has handled credit, both now and in the past. An older, established history—even though the accounts may have zero balances—will have a more positive impact on the borrower's credit profile than newly established accounts.
				      • A borrower who has a relatively new credit history (a few recently opened accounts) is not automatically considered a high credit risk. Successfully managing newly established accounts, including making payments as agreed, signifies lower risk.
				    • **Delinquent Accounts**
				      • Payment history is a significant factor in the evaluation of the borrower's credit. DU considers the severity of the delinquencies (30, 60, 90, or more days late), the length of time since the delinquencies, and the number and type of accounts that were not paid as agreed.
				      • A payment history that includes bills that are 30 days or more past-due, or a history of paying bills late as evidenced by a number of accounts with late payments, will have a negative impact on the borrower's credit profile. The amount of time that has elapsed since an account was delinquent is an important factor included in the evaluation of the payment history. For example, a 30-day late payment that is less than three months old indicates a higher risk than a 30-day late payment that occurred several years ago.
				    • **Installment Loans**
				      • DU evaluates how well a borrower manages debt for all types of installment loans such as mortgage, auto, unsecured, and student loans. Research has shown that borrowers with no active installment accounts represent a higher risk than borrowers who have active installment accounts.
				    • **Rent Payment History**
				      • For certain loan casefiles, when DU logic can identify rent payments in a 12-month third-party asset verification report or a consistent rent payment history on the borrower's credit report, it will use the rent payment history to positively supplement

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			report, it will use the rent payment history to positively supplement the credit risk assessment.
			• The following requirements apply when using rent payment history in DU. At least one borrower must:
			  ◦ be a first-time homebuyer purchasing a primary residence,
			  ◦ have a credit score (nontraditional credit is not permitted), and
			  ◦ have been renting for at least 12 months with a monthly rent payment of at least $300.
			• For DU to be able to identify rent payments, the lender must:
			  ◦ enter the monthly rent paid by the borrower in the online loan application,
			  ◦ obtain an asset verification report with 12 months of bank statement data through an authorized DU validation service asset verification report vendor, and
			  ◦ confirm the borrower is an account holder and that the account provided in the asset verification report is the one from which the borrower pays rent.
			• At the time of loan origination, the originating lender must have access to the full asset verification report containing the data covering the period of time provided to DU for assessment.
			• When an asset verification report is used for both rent history and asset documentation, including asset validation through the DU validation service, only the most recent 60 days of account activity must be reviewed and retained in the loan file in accordance with the requirements outlined in the "General Asset Documentation Requirements" subtopic and "DU Validation Service" requirements previously presented in this "Fannie Mae DU Loans" subtopic.
			• **Revolving Credit Utilization**
			  ◦ The establishment, use, and amount of revolving credit a borrower has available are important. Trended credit data is used to evaluate the borrower's ability to manage revolving accounts. A borrower who uses revolving accounts conservatively, meaning low revolving credit utilization or regular payoff of revolving balance, is considered lower risk. A borrower whose revolving credit utilization is high or who has low available revolving credit is considered higher risk.
			• **Public Records, Foreclosures, and Collection Accounts**
			  ◦ A credit history that includes any significant derogatory credit event is considered high risk. Significant derogatory credit events include bankruptcy filings, foreclosures, deeds-in-lieu of foreclosure, preforeclosure sales, mortgage charge-offs, or accounts that have been turned over to a collection agency.
			  ◦ The more recent such events occurred, the more adverse the impact is on the credit profile. Although most public record information is retained in the credit history for seven years (ten years for bankruptcies), as time passes, it does become less significant to DU's credit evaluation.
			
			Note: Collection accounts reported as medical collections are not used in the DU risk assessment.
			
			• **Inquiries**
			  ◦ DU evaluates inquiries made within the most recent 12 months of the credit report date. Research has shown that a high number of inquiries can indicate a higher degree of risk. However, multiple inquiries made by different mortgage lenders or different auto loan creditors within the same time frame is not viewed by DU as multiple inquiries (these types of inquiries generally reflect borrowers shopping for favorable
				the credit risk assessment.
				• For DU to consider positive rent payment history for a specific borrower, that borrower must:
				  ◦ not have a mortgage reported on their credit report,
				  ◦ have a limited credit history, or
				  ◦ have no credit score.
				• At least one borrower on the transaction must have a credit score.
				• At least one borrower must have been renting for at least 12 months with a monthly rent payment of at least $300.
				• ~~For certain first-time homebuyers who have a credit score, the lender may use a 12-month third-party asset verification report to have their rent payment history considered in DU. When DU logic can identify rent payments in the asset verification report, it will use the rent payment history to positively supplement the credit risk assessment.~~
				• ~~The following requirements apply when using rent payment history in DU. At least one borrower must:~~
				  ◦ ~~be a first-time homebuyer purchasing a primary residence,~~
				  ◦ ~~have a credit score (nontraditional credit is not permitted), and~~
				  ◦ ~~have been renting for at least 12 months with a monthly rent payment of at least $300.~~
				• For DU to be able to identify rent payments, the lender must:
				  ◦ enter the monthly rent paid by the borrower in the online loan application,
				  ◦ when an asset verification report is used:
				    ▪ obtain an asset verification report with 12 months of bank statement data through an authorized DU validation service asset verification report vendor, and
				    ▪ confirm the borrower is an account holder and that the account provided in the asset verification report is the one from which the borrower pays rent.
				• At the time of loan origination, the originating lender must have access to the full asset verification report containing the data covering the period of time provided to DU for assessment.
				• When an asset verification report is used for both rent history and asset documentation, including asset validation through the DU validation service, only the most recent 60 days of account activity must be reviewed ~~and retained in the loan file~~ in accordance with the requirements outlined in the "General Asset Documentation Requirements" subtopic and "DU Validation Service" requirements previously presented in this "Fannie Mae DU Loans" subtopic, and retained in the loan file.
				• **Revolving Credit Utilization**
				  ◦ The establishment, use, and amount of revolving credit a borrower has available are important. Trended credit data is used to evaluate the borrower's ability to manage revolving accounts. A borrower who uses revolving accounts conservatively, meaning low revolving credit utilization or regular payoff of revolving balance, is considered lower risk. A borrower whose revolving credit utilization is high or who has low available revolving credit is considered higher risk.
				• **Public Records, Foreclosures, and Collection Accounts**
				  ◦ A credit history that includes any significant derogatory credit event is considered high risk. Significant derogatory credit events include bankruptcy filings, foreclosures, deeds-in-lieu of foreclosure, preforeclosure sales, mortgage charge-offs, or accounts that have been turned over to a collection agency.

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			rates or terms). A borrower who has frequently applied for, or obtained, new or additional credit represents a higher risk.
			• **Borrower's Equity and LTV Ratio**
			  ◦ The amount of equity in the property is a very important component of the risk analysis. Research has shown that a borrower who makes a large down payment or who has considerable equity in their property is less likely to become delinquent on a mortgage loan than a borrower who makes a small down payment or has a small amount of equity in the property. In other words, the more equity a borrower has in the property, the lower the risk associated with the borrower's mortgage loan.
			  ◦ DU may use a low LTV ratio to offset other risks that it may identify in the loan application.
			• **Liquid Reserves**
			  ◦ Liquid reserves are those financial assets that are available to a borrower after a loan closes. Reserves are calculated as the total amount of liquid assets remaining after the loan transaction closes divided by the qualifying payment amount.
			  ◦ DU considers higher amounts of liquid reserves as more favorable than lower amounts or no reserves. Research has shown that mortgages to borrowers with higher amounts of liquid reserves tend to have lower delinquency rates. As with a low LTV ratio, DU may consider high amounts of reserves as an offset for other risks that it may identify in the loan application.
			• **Loan Purpose**
			  ◦ There is a certain level of risk associated with every transaction, whether it is a purchase or a refinance. Purchase transactions represent less risk than refinance transactions. When evaluating refinance transactions, a limited cash-out refinance transaction represents less risk than a cash-out refinance transaction.
			• **Loan Term**
			  ◦ Research has shown that mortgages to borrowers who choose to finance their mortgages over shorter terms and build up equity in their properties faster generally tend to perform better than mortgages with longer amortization periods.
			• **Loan Amortization Type**
			  ◦ Research has shown that there is a difference in loan performance based on the manner in which the mortgage amortizes. Fixed-rate mortgages will be viewed as representing less risk than adjustable-rate mortgages.
			• **Occupancy Type**
			  ◦ Performance statistics on investor loans are notably worse than those of owner-occupied or second home loans. Owner-occupied transactions represent the least risk, followed by second home transactions, and investment property transactions having the highest risk level.
			• **Debt-to-Income Ratio**
			  ◦ In DU's evaluation, generally, the lower the borrower's debt-to-income ratio (DTI ratio), the lower the associated risk. As the ratio increases, the level of risk also tends to increase; and a high ratio will have the greatest adverse impact on the recommendation when there are also other high-risk factors present.
			  ◦ The composition of the borrower's debt is also taken into consideration. Borrowers whose revolving debt makes up a smaller percentage of their monthly expense have been shown to represent less risk than those whose revolving debt makes up a large percentage of their monthly expenses. Also, borrowers with student loan debt have been shown to represent less risk than those with only revolving debt.
			• **Housing Expense Ratio**
				◦ The more recent such events occurred, the more adverse the impact is on the credit profile. Although most public record information is retained in the credit history for seven years (ten years for bankruptcies), as time passes, it does become less significant to DU's credit evaluation.
				
				Note: Collection accounts reported as medical collections are not used in the DU risk assessment.
				
				• **Inquiries**
				  ◦ DU evaluates inquiries made within the most recent 12 months of the credit report date. Research has shown that a high number of inquiries can indicate a higher degree of risk. However, multiple inquiries made by different mortgage lenders or different auto loan creditors within the same time frame is not viewed by DU as multiple inquiries (these types of inquiries generally reflect borrowers shopping for favorable rates or terms). A borrower who has frequently applied for, or obtained, new or additional credit represents a higher risk.
				• **Borrower's Equity and LTV Ratio**
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				  ◦ DU may use a low LTV ratio to offset other risks that it may identify in the loan application.
				• **Liquid Reserves**
				  ◦ Liquid reserves are those financial assets that are available to a borrower after a loan closes. Reserves are calculated as the total amount of liquid assets remaining after the loan transaction closes divided by the qualifying payment amount.
				  ◦ DU considers higher amounts of liquid reserves as more favorable than lower amounts or no reserves. Research has shown that mortgages to borrowers with higher amounts of liquid reserves tend to have lower delinquency rates. As with a low LTV ratio, DU may consider high amounts of reserves as an offset for other risks that it may identify in the loan application.
				• **Loan Purpose**
				  ◦ There is a certain level of risk associated with every transaction, whether it is a purchase or a refinance. Purchase transactions represent less risk than refinance transactions. When evaluating refinance transactions, a limited cash-out refinance transaction represents less risk than a cash-out refinance transaction.
				• **Loan Term**
				  ◦ Research has shown that mortgages to borrowers who choose to finance their mortgages over shorter terms and build up equity in their properties faster generally tend to perform better than mortgages with longer amortization periods.
				• **Loan Amortization Type**
				  ◦ Research has shown that there is a difference in loan performance based on the manner in which the mortgage amortizes. Fixed-rate mortgages will be viewed as representing less risk than adjustable-rate mortgages.
				• **Occupancy Type**

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			• Borrowers with lower housing expense ratios are considered low risk, while those with higher housing expense ratios are considered higher risk. Research has shown that borrowers whose total monthly expenses are composed primarily of their housing expense may find it more difficult to pay this expense when experiencing an event that would cause financial distress, such as the loss of a job. • **Property Type** • Another important factor that DU considers in the risk analysis is the collateral or property type. DU differentiates the risk based on the number of units, and in some cases the property type. • The level of risk associated with each property type is as follows, starting with those property types representing the least amount of risk: • one-unit properties; • condo properties; • two-, three-, and four-unit properties. • **Variable Income** • DU evaluates the composition of borrower income. As variable income (bonus, overtime, commission, and other income) can differ from year-to-year, borrowers whose total annual income is made up of a higher percentage of variable income represents an increase in risk. Note that other income is based on entry in Form 1003 of "Other" gross monthly income type in current employment, and "Other" in income from other sources. *All other currently published requirements in this section remain the same.*	• Performance statistics on investor loans are notably worse than those of owner-occupied or second home loans. Owner-occupied transactions represent the least risk, followed by second home transactions, and investment property transactions having the highest risk level. • **Debt-to-Income Ratio** • In DU's evaluation, generally, the lower the borrower's debt-to-income ratio (DTI ratio), the lower the associated risk. As the ratio increases, the level of risk also tends to increase; and a high ratio will have the greatest adverse impact on the recommendation when there are also other high-risk factors present. • The composition of the borrower's debt is also taken into consideration; however, DU will not look at the composition, or proportion, of revolving debts within the borrower's total monthly expenses. DU will look at the borrower's debt composition in relation to student loan debts. Research has shown that borrowers with student loan debt represent less risk than those with no student loan debt. ~~Borrowers whose revolving debt makes up a smaller percentage of their monthly expense have been shown to represent less risk than those whose revolving debt makes up a large percentage of their monthly expenses. Also, borrowers with student loan debt have been shown to represent less risk than those with only revolving debt.~~ • **Housing Expense Ratio** • Borrowers with lower housing expense ratios are considered lower risk, while those with higher housing expense ratios are considered higher risk. Research has shown that borrowers whose total monthly expenses are composed primarily of their housing expense may find it more difficult to pay this expense when experiencing an event that would cause financial distress, such as the loss of a job. • **Property Type** • Another important factor that DU considers in the risk analysis is the collateral or property type. DU differentiates the risk based on the number of units, and in some cases the property type. • The level of risk associated with each property type is as follows, starting with those property types representing the least amount of risk: • one-unit properties; • condo properties; • two-, three-, and four-unit properties. ~~• **Variable Income**~~ ~~• DU evaluates the composition of borrower income. As variable income (bonus, overtime, commission, and other income) can differ from year-to-year, borrowers whose total annual income is made up of a higher percentage of variable income represents an increase in risk. Note that other income is based on entry in Form 1003 of "Other" gross monthly income type in current employment, and "Other" in income from other sources.~~ • **Cash Flow Assessment** • For certain loan casefiles, DU can conduct a cash flow assessment when the lender provides a 12-month third-party asset verification report for the borrower. DU will assess the borrower's cash flow management history to determine whether it can be used to positively supplement the credit risk assessment. • At least one borrower on the transaction must have a credit score. • To be eligible for the cash flow assessment in DU: • The lender must obtain an asset verification report with 12 months of bank data through an authorized DU validation service asset verification report vendor and

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				confirm the borrower is an account holder. • At the time of loan origination, the originating lender must have access to the full asset verification report containing the data covering the timeframe provided to DU for the cash flow assessment. • When DU conducts a cash flow assessment and provides an Approve/Eligible recommendation, the 12-month asset verification report may be used to satisfy the nontraditional credit history requirements for borrowers without a credit score as outlined in the "Documentation and Assessment of a Nontraditional Credit History" section within the "Nontraditional Credit History" subtopic previously presented in this document. • When an asset verification report is used for both the cash flow assessment and asset documentation, including asset validation through the DU validation service, only the most recent 30 or 60 days of account activity must be reviewed in accordance with the requirements outlined in the "General Asset Documentation Requirements" subtopic and "DU Validation Service" requirements previously presented in this "Fannie Mae DU Loans" subtopic, and retained in the loan file. • **First-Time Homebuyer Status** • DU considers the presence of a first-time homebuyer on the loan application as a mitigating factor in the DU risk assessment. Research has shown that loans where a borrower identified themselves as first-time homebuyers performed better than similar loans for borrowers that had previously owned a home. *All other currently published requirements in this section remain the same.*
Significant Derogatory Credit Event Treatment	Correspondent Section 2.01 Agency Loan Standard	• Standard Agency (DU) • Agency Plus (DU) • Agency Plus Select (DU) • Home Ready® (DU) • Texas Section 50(a)(6) Mortgages (DU)	**Credit Requirements / Bankruptcies, Foreclosures, Deeds-In-Lieu, Short Sales, and Mortgage Charge-Offs** **Fannie Mae DU** Follow DU requirements, which are the same as non-AUS requirements, except as follows : • Because DU does not have the disbursement date of the subject loan, DU uses the date of the credit report to measure whether or not the applicable waiting period has been met. However, because the credit report date may not result in an accurate calculation of the waiting period (it is earlier than the disbursement date), the lender may use the disbursement date to confirm that the waiting period has been met. See the table below for additional information. **Derogatory Event** — Bankruptcy Foreclosure **Measurement of Waiting Period** — • If the completion, discharge, or dismissal dates (as applicable) reflected in the credit report are complete and appear to comply with the applicable waiting period requirements, DU will issue a recommendation, but the lender must still confirm that the waiting period has been met and may base its determination on the disbursement date of the new loan. • If the completion, discharge, or dismissal dates (as applicable) reflected in the credit report are complete, but do not appear to comply with the applicable waiting period requirements, a Refer with Caution recommendation will be issued. DU uses the date of the credit report to determine	**Credit Requirements / Bankruptcies, Foreclosures, Deeds-In-Lieu, Short Sales, and Mortgage Charge-Offs** **Fannie Mae DU** Follow DU requirements, which are the same as non-AUS requirements, except as follows: • Because DU does not have the disbursement date of the subject loan, DU uses the date of the credit report to measure whether or not the applicable waiting period has been met. However, because the credit report date may not result in an accurate calculation of the waiting period (it is earlier than the disbursement date), the lender may use the disbursement date to confirm that the waiting period has been met. See the table below for additional information. **Derogatory Event** — Bankruptcy Foreclosure **Measurement of Waiting Period** — • If the completion, discharge, or dismissal dates (as applicable) reflected in the credit report are complete and appear to comply with the applicable waiting period requirements, DU will issue a recommendation, but the lender must still confirm that the waiting period has been met and may base its determination on the disbursement date of the new loan. • If the completion, discharge, or dismissal dates (as applicable) reflected in the credit report are complete, but do not appear to comply with the applicable waiting period requirements, an Ineligible recommendation will be issued. DU uses the date of the credit report to determine whether

<table>
<tr><th>Topic</th><th>Impacted Document</th><th>Impacted Products</th><th>Current Standards</th><th>Revised Standards
(See COR25-001 for the Applicable Effective Dates of These Revisions)</th></tr>
<tr><td></td><td></td><td></td>
<td>
<table>
<tr><td></td><td>whether or not the applicable waiting period has been met. The lender may obtain an updated credit report and resubmit the loan casefile to DU after the required time has elapsed or manually underwrite the loan using the disbursement date to confirm that the waiting period has been met.
• If the completion, discharge, or dismissal dates (as applicable) reflected in the credit report are incomplete, the lender must confirm that the waiting period has been met and may base its determination on the disbursement date of the new loan.</td></tr>
<tr><td>Deed-In-Lieu of Foreclosure
Preforeclosure Sale/Short Sale
Mortgage Charge-Off</td><td>DU will determine if the date of the event was within the applicable waiting period. However, the recommendation will not be changed and the lender must confirm the waiting period requirement has been met, and may base its determination on the disbursement date of the new loan.</td></tr>
</table>

• DU applies the following additional requirements to significant derogatory credit events:

Note: DU is not able to identify whether the borrower’s derogatory credit event(s) was the result of extenuating circumstances. See below for information on how to treat extenuating circumstances.

<table>
<tr><th>Derogatory Event</th><th>Requirements</th></tr>
<tr><td>Bankruptcy</td><td>• If a Chapter 13 bankruptcy was discharged within the last two years, dismissed within the last four years, or filed but neither discharged nor dismissed within the last four years, the loan casefile will receive a Refer with Caution recommendation and will be ineligible for delivery to Fannie Mae.
• If a non-Chapter 13 bankruptcy was filed, discharged, or dismissed within the last four years, the loan casefile will receive a Refer with Caution recommendation and will be ineligible for delivery to Fannie Mae.
• DU will not take bankruptcy information in the public record section of the credit report into account if the bankruptcy is dated more than seven years prior to the credit report date.
• DU will not take tradeline accounts that are reported with a bankruptcy status code or manner of payment (MOP) code of “7” into account if there is at least one bankruptcy reported in a public record within seven years of the credit report date. In this scenario, DU assumes the date filed and the date discharged in the public record are more accurate than the dates in the tradeline; i.e., specific filed and discharged dates do not exist in the tradeline.</td></tr>
</table>
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<tr><td></td><td>or not the applicable waiting period has been met. The lender may obtain an updated credit report and resubmit the loan casefile to DU after the required time has elapsed or manually underwrite the loan using the disbursement date to confirm that the waiting period has been met.
• If the completion, discharge, or dismissal dates (as applicable) reflected in the credit report are incomplete, the lender must confirm that the waiting period has been met and may base its determination on the disbursement date of the new loan.</td></tr>
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Preforeclosure Sale/Short Sale
Mortgage Charge-Off</td><td>• DU will determine if the date of the event was within the applicable waiting period. However, the recommendation will not be changed and the lender must confirm the waiting period requirement has been met, and may base its determination on the disbursement date of the new loan.</td></tr>
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• DU applies the following additional requirements to significant derogatory credit events:

Note: DU is not able to identify whether the borrower’s derogatory credit event(s) was the result of extenuating circumstances. See below for information on how to treat extenuating circumstances.

<table>
<tr><th>Derogatory Event</th><th>Requirements</th></tr>
<tr><td>Bankruptcy</td><td>• If a Chapter 13 bankruptcy was discharged within the last two years, dismissed within the last four years, or filed but neither discharged nor dismissed within the last four years, the loan casefile will receive an Ineligible recommendation and will be ineligible for delivery to Fannie Mae.
• If a non-Chapter 13 bankruptcy was filed, discharged, or dismissed within the last four years, the loan casefile will receive an Ineligible recommendation and will be ineligible for delivery to Fannie Mae.
• DU will not take bankruptcy information in the public record section of the credit report into account if the bankruptcy is dated more than seven years prior to the credit report date.
• DU will not take tradeline accounts that are reported with a bankruptcy status code or manner of payment (MOP) code of “7” into account if there is at least one bankruptcy reported in a public record within seven years of the credit report date. In this scenario, DU assumes the date filed and the date discharged in the public record are more accurate than the dates in the tradeline; i.e., specific filed and discharged dates do not exist in the tradeline.</td></tr>
</table>
</td></tr>
</table>

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			• DU will use tradeline accounts that are reported with a bankruptcy status code or MOP code of "7" if there is not a bankruptcy reported in a public record within seven years of the credit report date. In this scenario, the lender will need to verify the actual filed and discharged dates to determine that the bankruptcy meets the DU bankruptcy requirements.
			• DU is not able to determine if multiple filings have occurred due to the manner in which bankruptcies are reported to the credit report. DU will issue a message when it appears that there may have been multiple bankruptcy filings. This message will list each of the bankruptcies seen on the credit report, and will instruct lenders to ensure the loan casefile meets the criteria for underwriting loan casefiles with multiple bankruptcies.
			• ***Underwriting when the Credit Report Contains Inaccurate Bankruptcy Information***
			  ◦ When DU identifies a bankruptcy on the credit report and the information is inaccurate, the lender may instruct DU to disregard the bankruptcy information on the credit report in the eligibility assessment. This is done by entering "Confirmed CR BK Incorrect" in the Explanation field for question b. in the Declarations section of the online loan application, and resubmitting the loan casefile to DU. When the loan casefile is resubmitted to DU, the bankruptcy information on the credit report tradeline will not be used.
			  ◦ If the lender enters "Confirmed CR BK Incorrect", the lender must document that the Chapter 13 bankruptcy was discharged two or more years or dismissed four or more years from the disbursement date of the new loan, or that the non-Chapter 13 bankruptcy was discharged or dismissed four or more years from the disbursement date of the new loan.
			• ***Underwriting when a Bankruptcy was due to Extenuating Circumstances***
			  ◦ When DU identifies a bankruptcy on the credit report and that bankruptcy was due to extenuating circumstances, the lender may instruct DU to disregard the bankruptcy information on the credit report in the eligibility assessment. This is done by entering "Confirmed CR BK EC" in the Explanation field for question b.
				• DU will use tradeline accounts that are reported with a bankruptcy status code or MOP code of "7" if there is not a bankruptcy reported in a public record within seven years of the credit report date. In this scenario, the lender will need to verify the actual filed and discharged dates to determine that the bankruptcy meets the DU bankruptcy requirements.
				• DU is not able to determine if multiple filings have occurred due to the manner in which bankruptcies are reported to the credit report. DU will issue a message when it appears that there may have been multiple bankruptcy filings. This message will list each of the bankruptcies seen on the credit report, and will instruct lenders to ensure the loan casefile meets the criteria for underwriting loan casefiles with multiple bankruptcies.
				• ***Underwriting when the Credit Report Contains Inaccurate Bankruptcy Information***
				  ◦ When DU identifies a bankruptcy on the credit report and the information is inaccurate, the lender may instruct DU to disregard the bankruptcy information on the credit report in the eligibility assessment. This is done by entering "Confirmed CR BK Incorrect" in the ~~Explanation field for question b. in the Declarations section of the~~ online loan application~~,~~ and resubmitting the loan casefile to DU. When the loan casefile is resubmitted to DU, the bankruptcy information on the credit report ~~tradeline~~ will not be used.
				  ◦ If the lender enters "Confirmed CR BK Incorrect", the lender must document that the Chapter 13 bankruptcy was discharged two or more years or dismissed four or more years from the disbursement date of the new loan, or that the non-Chapter 13 bankruptcy was discharged or dismissed four or more years from the disbursement date of the new loan.
				• ***Underwriting when a Bankruptcy was due to Extenuating Circumstances***
				  ◦ When DU identifies a bankruptcy on the credit report and that bankruptcy was due to extenuating circumstances, the lender may instruct DU to disregard the bankruptcy information on the credit report in the eligibility assessment. This is done by entering "Confirmed CR BK EC" in the ~~Explanation field for question b. in the Declarations section of the~~ online loan application~~,~~ and resubmitting the loan casefile

Topic	Impacted Document	Impacted Products	Current Standards	Revised Standards (See COR25-001 for the Applicable Effective Dates of These Revisions)
			in the Declarations section of the online loan application, and resubmitting the loan casefile to DU. When the loan casefile is resubmitted to DU, the bankruptcy information on the credit report will not be used. • If the lender enters "Confirmed CR BK EC", the lender must document that the bankruptcy was due to extenuating circumstances, and that the Chapter 13 bankruptcy was dismissed two or more years from the disbursement date of the new loan, or that the non-Chapter 13 bankruptcy was discharged or dismissed two or more years from the disbursement date of the new loan.	to DU. When the loan casefile is resubmitted to DU, the bankruptcy information on the credit report will not be used. • If the lender enters "Confirmed CR BK EC", the lender must document that the bankruptcy was due to extenuating circumstances, and that the Chapter 13 bankruptcy was dismissed two or more years from the disbursement date of the new loan, or that the non-Chapter 13 bankruptcy was discharged or dismissed two or more years from the disbursement date of the new loan.

			Foreclosure
			• Mortgage accounts, including first liens, second liens, home improvement loans, HELOCs, and manufactured home loans, will be identified as a foreclosure if there is an MOP code of "8," or a Remarks Code that indicates a foreclosure is present in the credit report data and associated to the tradeline.
			• If a foreclosure was reported within the seven-year period prior to the credit report date, the loan casefile will receive a Refer with Caution recommendation and will be ineligible for delivery to Fannie Mae.
			• If the filed date and the satisfied date of the foreclosure are both unknown, but it appears that the foreclosure occurred within the seven-year period prior to the credit report date, the lender must confirm that the foreclosure did not occur within the most recent seven-year period.
			• Foreclosure laws vary by state and the time it takes to complete the process may vary by state. DU assumes that the date the foreclosure was reported in the tradeline is the date of the foreclosure sale or liquidation. The lender must confirm that all foreclosures are satisfied.
			• Mortgage accounts that are identified as a deed-in-lieu of foreclosure or preforeclosure sale will not be identified as a foreclosure.
			• ***Underwriting when Inaccurate Foreclosure Information Exists***
			  • When DU identifies a foreclosure on a credit report tradeline and the foreclosure information on that tradeline is inaccurate, the lender may instruct DU to disregard the foreclosure information on the credit report in the eligibility
				Foreclosure
				• Mortgage accounts, including first liens, second liens, home improvement loans, HELOCs, and manufactured home loans, will be identified as a foreclosure if there is an MOP code of "8," or a Remarks Code that indicates a foreclosure is present in the credit report data and associated to the tradeline.
				• If a foreclosure was reported within the seven-year period prior to the credit report date, the loan casefile will receive an Ineligible recommendation and will be ineligible for delivery to Fannie Mae.
				• If the filed date and the satisfied date of the foreclosure are both unknown, but it appears that the foreclosure occurred within the seven-year period prior to the credit report date, the lender must confirm that the foreclosure did not occur within the most recent seven-year period.
				• Foreclosure laws vary by state and the time it takes to complete the process may vary by state. DU assumes that the date the foreclosure was reported in the tradeline is the date of the foreclosure sale or liquidation. The lender must confirm that all foreclosures are satisfied.
				• Mortgage accounts that are identified as a deed-in-lieu of foreclosure or preforeclosure sale will not be identified as a foreclosure.
				• ***Underwriting when Inaccurate Foreclosure Information Exists***
				  • When DU identifies a foreclosure on a credit report tradeline and the foreclosure information on that tradeline is inaccurate, the lender may instruct DU to disregard the foreclosure information on the credit report in the eligibility assessment. This is done by entering "Confirmed CR FC Incorrect" in the ~~Explanation field for question c. in the Declarations section of the~~ online loan application and resubmitting the

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<tr><td></td><td></td><td></td>
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<tr><td></td><td>assessment. This is done by entering “Confirmed CR FC Incorrect” in the Explanation field for question c. in the Declarations section of the online loan application and resubmitting the loan casefile to DU. When the loan casefile is resubmitted to DU, the foreclosure information on the credit report tradeline will not be used in the eligibility assessment.
• If the lender enters “Confirmed CR FC Incorrect,” the lender must then document the foreclosure was completed seven or more years from the disbursement date of the new loan, or that the account was not subject to foreclosure and the loan complies with all other applicable requirements.

• Underwriting when Extenuating Circumstances Exist
• When DU identifies a foreclosure on a credit report tradeline and that foreclosure was due to extenuating circumstances, the lender may instruct DU to disregard the foreclosure information on the credit report in the eligibility assessment. This is done by entering “Confirmed CR FC EC” in the Explanation field for question c. in the Declarations section of the online loan application and resubmitting the loan casefile to DU. When the loan casefile is resubmitted to DU, the foreclosure information on the credit report tradeline will not be used in the eligibility assessment.
• If the lender enters “Confirmed CR FC EC,” the lender must then document that the foreclosure was due to extenuating circumstances, the foreclosure was completed three or more years from the disbursement date of the new loan, and the loan complies with all other requirements specific to a foreclosure due to extenuating circumstances.</td></tr>
<tr><td>Deed-In-Lieu of Foreclosure</td><td>• DU will determine if a mortgage tradeline is a deed-in-lieu of foreclosure by using specific Remarks Codes that are present in the credit report data and associated to the tradeline.
• When DU identifies a deed-in-lieu of foreclosure, the lender must document that the event was completed four or more years from the disbursement date of the new loan, or two or more years from the disbursement date of the new loan when the lender confirms that the mortgage loan meets the applicable</td></tr>
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<tr><td></td><td>loan casefile to DU. When the loan casefile is resubmitted to DU, the foreclosure information on the credit report tradeline will not be used in the eligibility assessment.
• If the lender enters “Confirmed CR FC Incorrect,” the lender must then document the foreclosure was completed seven or more years from the disbursement date of the new loan, or that the account was not subject to foreclosure and the loan complies with all other applicable requirements.
• Underwriting when Extenuating Circumstances Exist
• When DU identifies a foreclosure on a credit report tradeline and that foreclosure was due to extenuating circumstances, the lender may instruct DU to disregard the foreclosure information on the credit report in the eligibility assessment. This is done by entering “Confirmed CR FC EC” in the ~~Explanation field for question c. in the Declarations section of the~~ online loan application and resubmitting the loan casefile to DU. When the loan casefile is resubmitted to DU, the foreclosure information on the credit report tradeline will not be used in the eligibility assessment.
• If the lender enters “Confirmed CR FC EC,” the lender must then document that the foreclosure was due to extenuating circumstances, the foreclosure was completed three or more years from the disbursement date of the new loan, and the loan complies with all other requirements specific to a foreclosure due to extenuating circumstances.</td></tr>
<tr><td>Deed-In-Lieu of Foreclosure</td><td>• DU will determine if a mortgage tradeline is a deed-in-lieu of foreclosure by using specific Remarks Codes that are present in the credit report data and associated to the tradeline.
• When DU identifies a deed-in-lieu of foreclosure, the lender must document that the event was completed four or more years from the disbursement date of the new loan, or two or more years from the disbursement date of the new loan when the lender confirms that the mortgage loan meets the applicable time frames and eligibility requirements for a deed-in-lieu of foreclosure due to extenuating circumstances.</td></tr>
<tr><td>Preforeclosure Sales/Short Sales</td><td>• DU will determine if a mortgage tradeline is a preforeclosure sale/short sale by using specific Remarks Codes that are present in the credit report data and associated to the tradeline.</td></tr>
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<tr><td></td><td>time frames and eligibility requirements for a deed-in-lieu of foreclosure due to extenuating circumstances.</td></tr>
<tr><td>Preforeclosure Sales/Short Sales</td><td>• DU will determine if a mortgage tradeline is a preforeclosure sale/short sale by using specific Remarks Codes that are present in the credit report data and associated to the tradeline.
• When DU identifies a preforeclosure sale/short sale, the lender must document that the event was completed four or more years from the disbursement date of the new loan, or two or more years from the disbursement date of the new loan when the lender confirms that the mortgage loan meets the applicable time frames and eligibility requirements for a short sale due to extenuating circumstances.</td></tr>
<tr><td>Charge-off of Mortgage Accounts</td><td>• Mortgage accounts, including first liens, second liens, home improvements loans, HELOCs, and manufactured home loans, will be identified as a charge-off if there is an MOP code of “9” (collection or charge-off) and there is no information indicating the account may also be subject to a foreclosure (MOP code “8” or foreclosure Remarks Code), a deed-in-lieu of foreclosure (DIL Remarks Code), or a preforeclosure sale (PFS Remarks Code).
• When DU identifies a charge-off on a mortgage tradeline, the lender must document that the event was completed four or more years from the disbursement date of the new loan, or two or more years from the disbursement date of the new loan when the lender confirms that the mortgage loan meets the applicable time frames and eligibility requirements for a charge-off due to extenuating circumstances.</td></tr>
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Credit Requirements / Mortgage Payment History

Fannie Mae DU
Follow DU requirements, which are as follows:
• DU applies the following requirements to the processing of loans with mortgage delinquencies:
  • If any borrower’s credit report contains a mortgage tradeline that is 60 or more days past due when the account was last reported by the creditor and the account was reported within the 12 months prior to the credit report date, the loan casefile will receive a Refer with Caution recommendation and will be ineligible for delivery to Fannie Mae.
  • If there is a mortgage that is disclosed on the loan application but not reported on the credit report, or the mortgage is on the credit report with an outstanding balance but the payment history has not been reported in the last six months, DU will issue a message requiring the lender to confirm that the account is not two or more payments past due as of the date of the application and that it has not been past due by two or more payments in the last 12 months. If the lender determines that the borrower does have a mortgage that is past due by two or more payments or has been
</td><td>
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<tr><td></td><td>• When DU identifies a preforeclosure sale/short sale, the lender must document that the event was completed four or more years from the disbursement date of the new loan, or two or more years from the disbursement date of the new loan when the lender confirms that the mortgage loan meets the applicable time frames and eligibility requirements for a preforeclosure sale/short sale due to extenuating circumstances.</td></tr>
<tr><td>Charge-off of Mortgage Accounts</td><td>• Mortgage accounts, including first liens, second liens, home improvements loans, HELOCs, and manufactured home loans, will be identified as a charge-off if there is an MOP code of “9” (collection or charge-off) and there is no information indicating the account may also be subject to a foreclosure (MOP code “8” or foreclosure Remarks Code), a deed-in-lieu of foreclosure (DIL Remarks Code), or a preforeclosure sale (PFS Remarks Code).
• When DU identifies a charge-off on a mortgage tradeline, the lender must document that the event was completed four or more years from the disbursement date of the new loan, or two or more years from the disbursement date of the new loan when the lender confirms that the mortgage loan meets the applicable time frames and eligibility requirements for a charge-off due to extenuating circumstances.</td></tr>
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Credit Requirements / Mortgage Payment History

Fannie Mae DU
Follow DU requirements, which are as follows:
• DU applies the following requirements to the processing of loans with mortgage delinquencies:
  • If any borrower’s credit report contains a mortgage tradeline that is 60 or more days past due when the account was last reported by the creditor and the account was reported within the 12 months prior to the credit report date, the loan casefile will receive an Ineligible recommendation and will be ineligible for delivery to Fannie Mae.
  • If there is a mortgage that is disclosed on the loan application but not reported on the credit report, or the mortgage is on the credit report with an outstanding balance but the payment history has not been reported in the last six months, DU will issue a message requiring the lender to confirm that the account is not two or more payments past due as of the date of the application and that it has not been past due by two or more payments in the last 12 months. If the lender determines that the borrower does have a mortgage that is past due by two or more payments or has been
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			past due by two or more payments in the last 12 months, then the loan casefile is not eligible for delivery to Fannie Mae. • Borrowers may not bring past-due mortgage accounts current prior to closing in order to circumvent Fannie Mae's requirements regarding past-due mortgages. However, the lender may apply some discretion with regard to the application of these requirements if it determines and documents that the past-due account status was not the fault of the borrower—for example, if the servicer misapplied or lost the borrower's payment. • Loan casefiles will receive an Ineligible recommendation due to excessive prior mortgage delinquency if the borrower has a mortgage tradeline on his or her credit report that has one or more 60-, 90-, 120-, or 150-day delinquency reported within the 12 months prior to the credit report date. • The above requirements will apply to all mortgage tradelines, including first liens, second liens, home improvement loans, HELOCs, and manufactured home loans. • ***Underwriting when the Credit Report Contains Inaccurate Mortgage Delinquency Information*** • When DU identifies a mortgage delinquency on the credit report, and the information is inaccurate, the lender may instruct DU to disregard the mortgage delinquency information on the credit report. This is done by entering "Confirmed Mtg Del Incorrect" in the Explanation field for question f. in the Declarations section of the online loan application, and resubmitting the loan casefile to DU. When the loan casefile is resubmitted to DU, the mortgage delinquency information on the credit report will not be used. • If the lender enters "Confirmed Mtg Del Incorrect", the lender must document that the mortgage is not currently 60 days or more past due, and has not been 60 days or more past due in the last 12 months. **Truist Note:** For mortgage debt not included on the borrower's credit report, prudent underwriting may require that the lender obtains sufficient documentation to consider the obligation in the overall qualifying and risk assessment.	past due by two or more payments in the last 12 months, then the loan casefile is not eligible for delivery to Fannie Mae. • Borrowers may not bring past-due mortgage accounts current prior to closing in order to circumvent Fannie Mae's requirements regarding past-due mortgages. However, the lender may apply some discretion with regard to the application of these requirements if it determines and documents that the past-due account status was not the fault of the borrower—for example, if the servicer misapplied or lost the borrower's payment. • Loan casefiles will receive an Ineligible recommendation due to excessive prior mortgage delinquency if the borrower has a mortgage tradeline on their credit report that has one or more 60-, 90-, 120-, or 150-day delinquency reported within the 12 months prior to the credit report date. • The above requirements will apply to all mortgage tradelines, including first liens, second liens, home improvement loans, HELOCs, and manufactured home loans. • ***Underwriting when the Credit Report Contains Inaccurate Mortgage Delinquency Information*** • When DU identifies a mortgage delinquency on the credit report~~,~~ and the information is inaccurate, the lender may instruct DU to disregard the mortgage delinquency information on the credit report. This is done by entering "Confirmed Mtg Del Incorrect" in the ~~Explanation field for question f. in the Declarations section of the~~ online loan application~~,~~ and resubmitting the loan casefile to DU. When the loan casefile is resubmitted to DU, the mortgage delinquency information on the credit report will not be used. • If the lender enters "Confirmed Mtg Del Incorrect", the lender must document that the mortgage is not currently 60 days or more past due, and has not been 60 days or more past due in the last 12 months. **Truist Note:** For mortgage debt not included on the borrower's credit report, prudent underwriting may require that the lender obtains sufficient documentation to consider the obligation in the overall qualifying and risk assessment.
Nontraditional Credit History / DU Loan Casefiles: At Least One Borrower Has No Credit Score and Another Borrower Has a Credit Score	Correspondent Section 2.01 Agency Loan Standard & Correspondent Section 2.01a Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages Standard	• Standard Agency (DU) • Agency Plus (DU) • Agency Plus Select (DU) • Home Ready® (DU) • Texas Section 50(a)(6) Mortgages (DU)	**Section 2.01 Agency Loan Standard** **Credit Requirements / Credit Score Requirements** **Fannie Mae DU** Follow DU requirements, which are the same as non-AUS- requirements, except as follows: • Credit scores are not an integral part of DU's risk assessment because DU performs its own analysis of the credit report data. However, lenders must request credit scores for each borrower from each of the three credit repositories when they order the three in-file merged credit report. If one or two of the credit repositories do not contain any credit information for the borrowers who have traditional credit, the credit report is still acceptable as long as: • credit data is available from one repository, • a credit score is obtained from that repository, and • the lender requested a three in-file merged report. **Notes:** • When a loan casefile is submitted to DU for a borrower with a credit score, but only medical tradelines are reported on the credit report, the loan casefile will receive an Out of Scope recommendation and must be manually underwritten. • If the transaction does not meet the above requirements, refer to the "Nontraditional Credit History" subtopic, subsequently presented in this topic, for underwriting and eligibility	**Section 2.01 Agency Loan Standard** **Credit Requirements / Credit Score Requirements** **Fannie Mae DU** Follow DU requirements, which are the same as non-AUS requirements, except as follows: • Credit scores are not an integral part of DU's risk assessment because DU performs its own analysis of the credit report data. However, lenders must request credit scores for each borrower from each of the three credit repositories when they order the three in-file merged credit report. If one or two of the credit repositories do not contain any credit information for the borrowers who have traditional credit, the credit report is still acceptable as long as: • credit data is available from one repository, • a credit score is obtained from that repository, and • the lender requested a three in-file merged report. **Notes:** • When a loan casefile is submitted to DU for a borrower with a credit score, but only medical tradelines are reported on the credit report, the loan casefile will receive an Out of Scope recommendation and must be manually underwritten. • If the transaction does not meet the above requirements, refer to the "Nontraditional Credit History" subtopic, subsequently presented in this topic, for underwriting and eligibility

Note: Truist specific overlays are underlined.

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			requirements for DU loans when at least one borrower has no credit score and another borrower has a credit score.
			
			• For standard Agency transactions, at least one borrower on the transaction must have a credit score.
			• For Agency Plus and Agency Plus Select transactions, Fannie Mae requires that all borrowers must have at least one credit score.
			• For all DU loans, the representative credit score must be used to determine if the minimum credit score requirement has been met for the loan transaction.
			• For Agency and Agency Plus transactions, the minimum representative credit score requirement is 640, with the following exception:
			  • If the borrower is financing a second home or investment property, and the borrower will have seven to ten financed properties, the minimum representative credit score requirement is 720.
			• For Agency Plus Select transactions, the minimum representative credit score requirement is 720.
			• The use of a credit score from a foreign country is not permitted.
			
			References:
			• For standard Agency transactions, see the "Nontraditional Credit History" subtopic, subsequently presented in this topic, for underwriting and eligibility requirements for DU loans when at least one borrower has no credit score and another borrower has a credit score.
			• See the "Cash Reserve Requirements" subtopic subsequently presented in this document for requirements related to minimum reserves.
			
			--- 	
			
			Section 2.01 Agency Loan Standard
			Credit Requirements / Nontraditional Credit History
			
			Fannie Mae DU
			Follow DU requirements, which are the same as non-AUS requirements except as follows:
			• **DU Loan Casefiles: No Borrower Has a Credit Score**
			  • Not eligible. At least one borrower on the transaction must have a credit score.
			
			• **DU Loan Casefiles: At Least One Borrower Has No Credit Score and Another Borrower Has a Credit Score**
			  • If one (or more) borrower(s) has a credit score and at least one borrower does not have a credit score, then DU will apply the following requirements:
			    • The property must be a one-unit, primary residence, and all borrowers must occupy the property.
			    • The transaction must be a purchase or limited cash-out refinance.
			    • The loan amount must meet the general loan limits—high-balance (i.e., Agency Plus and Agency Plus Select) mortgage loans are not eligible.
			    • Reserves may be required as determined by DU.
			    • If the borrower(s) with a credit score is contributing more than 50% of the qualifying income, the lender is not required to document a nontraditional credit history for the borrower(s) without a credit score.
			    • If the borrower(s) with a credit score is contributing 50% or less of the qualifying income, the lender must document a nontraditional credit history for each borrower without a credit score. See the "Documentation and Assessment of a Nontraditional Credit History" section for additional information.
				requirements for DU loans when at least one borrower has no credit score and another borrower has a credit score.
				
				• For standard Agency, Agency Plus, and Agency Plus Select transactions, at least one borrower on the transaction must have a credit score.
				~~• For Agency Plus and Agency Plus Select transactions, Fannie Mae requires that all borrowers must have at least one credit score.~~
				• For all DU loans, the representative credit score must be used to determine if the minimum credit score requirement has been met for the loan transaction.
				• For Agency and Agency Plus transactions, the minimum representative credit score requirement is 640, with the following exception:
				  • If the borrower is financing a second home or investment property, and the borrower will have seven to ten financed properties, the minimum representative credit score requirement is 720.
				• For Agency Plus Select transactions, the minimum representative credit score requirement is 720.
				• The use of a credit score from a foreign country is not permitted.
				
				References:
				• ~~For standard Agency transactions,~~ See the "Nontraditional Credit History" subtopic, subsequently presented in this topic, for underwriting and eligibility requirements for DU loans when at least one borrower has no credit score and another borrower has a credit score.
				• See the "Cash Reserve Requirements" subtopic subsequently presented in this document for requirements related to minimum reserves.
				
				--- 	
				
				Section 2.01 Agency Loan Standard
				Credit Requirements / Nontraditional Credit History
				
				Fannie Mae DU
				Follow DU requirements, which are the same as non-AUS requirements except as follows:
				• **DU Loan Casefiles: No Borrower Has a Credit Score**
				  • Not eligible. At least one borrower on the transaction must have a credit score.
				
				• **DU Loan Casefiles: At Least One Borrower Has No Credit Score and Another Borrower Has a Credit Score**
				  • If one (or more) borrower(s) has a credit score and at least one borrower does not have a credit score, then DU will apply the following requirements:
				    ~~• The property must be a one-unit, primary residence, and all borrowers must occupy the property.~~
				    ~~• The transaction must be a purchase or limited cash-out refinance.~~
				    ~~• The loan amount must meet the general loan limits—high-balance (i.e., Agency Plus and Agency Plus Select) mortgage loans are not eligible.~~
				    • Reserves may be required as determined by DU.
				    • If the borrower(s) with a credit score is contributing more than 50% of the qualifying income, the lender is not required to document a nontraditional credit history for the borrower(s) without a credit score.
				    • If the borrower(s) with a credit score is contributing 50% or less of the qualifying income, the lender must document a nontraditional credit history for each borrower without a credit score. This can be completed manually or by providing a 12-month asset verification report and obtaining a cash flow assessment through DU. See the "Documentation and Assessment

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			• **Number of Nontraditional Credit References Required**
			  • The number of nontraditional credit references that must be documented for a borrower without a credit score are as follows:
			    • If the borrower(s) with a credit score contributes:
			      • 50% or less of qualifying income, at least two credit references for each borrower without a credit score.
			      • more than 50% of qualifying income, then no nontraditional credit history is required for the borrower(s) without a credit score.
			
			• **Eligible Types of Nontraditional Credit References**
			  • **Acceptable Housing Payments**
			    • Loans underwritten through DU where a nontraditional credit history is required must include housing payments as one reference of nontraditional credit.
			
			--- 	
			Section 2.01a Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages Standard Credit Requirements / Credit Score Requirements
			
			Fannie Mae DU
			Section 2.01: Agency Loan Standard DU requirements apply, except as follows:
			• For HomeReady transactions (with general loan limits), at least one borrower on the transaction must have a credit score.
			• For high-balance HomeReady transactions, Fannie Mae requires that all borrowers must have at least one credit score.
			• For all DU loans, the representative credit score must be used to determine if the minimum credit score
				of a Nontraditional Credit History" sections in this subtopic and "Cash Flow Assessment" in the "Fannie Mae DU Loans" subtopic subsequently presented in the "Underwriting the Borrower" topic for additional information.
				
				• **Number of Nontraditional Credit References Required**
				  • The number of nontraditional credit references that must be documented for a borrower without a credit score are as follows:
				    • If the borrower(s) with a credit score contributes:
				      • 50% or less of qualifying income, at least two credit references for each borrower without a credit score.
				      • more than 50% of qualifying income, then no nontraditional credit history is required for the borrower(s) without a credit score.
				
				• **Eligible Types of Nontraditional Credit References**
				  • **Acceptable Housing Payments**
				    • Loans underwritten through DU where a nontraditional credit history is required must include housing payments as one reference of nontraditional credit.
				
				• **Documentation and Assessment of a Nontraditional Credit History**
				  • **Verification of Bank Accounts and Wire Remittance Statements**
				    • Account statements can be used to document a nontraditional credit history, provided they are from the borrower's checking account, savings account, voluntary payments made to a payroll savings plan, or contributions to a stock purchase plan. The account statements must reflect an increasing balance as a result of periodic deposits over at least the most recent consecutive 12-month period, with contributions being made no less than quarterly. If the account statements demonstrate overdraft activity, that information suggests a weakness in the borrower's ability to meet financial obligations. The lender must assess the significance of this information relative to the borrower's overall credit risk.
				
				Note: If a cash flow assessment is conducted by a third-party asset verification report, different requirements may apply. See "Cash Flow Assessment" in the "Fannie Mae DU Loans" subtopic subsequently presented in the "Underwriting the Borrower" topic for additional information.
				
				    • Wire remittance statements can be used to document a nontraditional credit history, provided they demonstrate a consistent amount of funds being remitted over the most recent consecutive 12-month period.
				
				--- 	
				Section 2.01a Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages Standard Credit Requirements / Credit Score Requirements
				
				Fannie Mae DU
				Section 2.01: Agency Loan Standard DU requirements apply, except as follows:
				• For HomeReady transactions (with general and high-balance loan limits), at least one borrower on the transaction must have a credit score.
				• ~~For high-balance HomeReady transactions, Fannie Mae requires that all borrowers must have at least one credit score.~~
				• For all DU loans, the representative credit score must be used to determine if the minimum credit score

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			requirement has been met for the HomeReady loan transaction. • The minimum <u>representative</u> credit score requirement is <u>640</u>. Reference: For HomeReady transactions originated using general loan limits, see the "Nontraditional Credit History" subtopic within the "Credit Requirements" topic outlined in Section 2.01: Agency Loan Standard for underwriting and eligibility requirements for DU loans when at least one borrower has no credit score and another borrower has a credit score.	requirement has been met for the HomeReady loan transaction. • The minimum <u>representative</u> credit score requirement is <u>640</u>. Reference: ~~For HomeReady transactions originated using general loan limits,~~ See the "Nontraditional Credit History" subtopic within the "Credit Requirements" topic outlined in Section 2.01: Agency Loan Standard for underwriting and eligibility requirements for DU loans when at least one borrower has no credit score and another borrower has a credit score.

DU Value Acceptance (Appraisal Waivers)	Correspondent Section 2.01 Agency Loan Standard	• Standard Agency (DU)
		• Agency Plus (DU)
		• Home Ready® (DU)
			Appraisal Requirements / Fannie Mae's DU Value Acceptance (Appraisal Waivers)
			
			***Note**: Below is an EXCERPT only of the requirements from the above referenced section.*
			
			Fannie Mae DU
			Follow DU requirements, which are as follows:
			• **Overview**
			  • For certain loan casefiles, DU offers value acceptance (appraisal waiver), in which case an appraisal is not required. For loan casefiles that are not eligible for value acceptance (appraisal waiver), DU will require an appraisal reported on the appropriate appraisal report form for the type of property being appraised.
			
			• **Prior Appraisal Requirements**
			  • For value acceptance (appraisal waiver) to be considered, generally a prior appraisal must be found for the subject property in Fannie Mae's Collateral Underwriter (CU) data.
			  • When required, DU will compare the address for the subject property to the property addresses found in CU. DU will use the information from the prior appraisal to determine if the loan casefile is eligible for the value acceptance (appraisal waiver). In some cases, the prior appraisal may not be acceptable. For example, if a CU "Overvaluation Flag" was issued on the prior appraisal, or the appraisal could not be scored, that prior appraisal will not be used and a value acceptance (appraisal waiver) will not be offered on the new loan casefile.
			  • DU will not offer value acceptance (appraisal waiver) when an appraisal has been uploaded to the Uniform Collateral Data Portal (UCDP) within the prior 120 days from any lender.
			
			• **Eligible Transactions**
			  • A value acceptance (appraisal waiver) offer will be considered for the following transactions:
			    • One-unit properties, including condominiums,
			    • Limited cash-out refinance transactions:
			      • Primary residences and second homes up to 90% LTV/TLTV
			      • Investment Properties up to 75% LTV/TLTV
			    • Cash-out refinance transactions:
			      • Primary residences up to 70% LTV/TLTV
			      • Second homes and investment properties up to 60% LTV/TLTV
			    • Purchase transactions:
			      • Primary residences and second homes up to 80% LTV/TLTV
			    • DU loan casefiles that receive an "Approve/Eligible" recommendation.
			
			Truist Note: See "Rural High-Needs Value Acceptance (Appraisal Waiver)" presented below for specific eligibility requirements for value acceptance (appraisal waivers) in selected rural high-needs areas.
			
			• **Ineligible Transactions**
				Appraisal Requirements / Fannie Mae's DU Value Acceptance (Appraisal Waivers)
				
				***Note**: Below is an EXCERPT only of the requirements from the above referenced section.*
				
				Fannie Mae DU
				Follow DU requirements, which are as follows:
				• **Overview**
				  • For certain loan casefiles, DU offers value acceptance (appraisal waiver), in which case an appraisal is not required. For loan casefiles that are not eligible for value acceptance (appraisal waiver), DU will require an appraisal reported on the appropriate appraisal report form for the type of property being appraised.
				
				• **Prior Appraisal Requirements**
				  • For value acceptance (appraisal waiver) to be considered, generally a prior appraisal must be found for the subject property in Fannie Mae's Collateral Underwriter (CU) data.
				  • When required, DU will compare the address for the subject property to the property addresses found in CU. DU will use the information from the prior appraisal to determine if the loan casefile is eligible for the value acceptance (appraisal waiver). In some cases, the prior appraisal may not be acceptable. For example, if a CU "Overvaluation Flag" was issued on the prior appraisal, or the appraisal could not be scored, that prior appraisal will not be used and a value acceptance (appraisal waiver) will not be offered on the new loan casefile.
				  • DU will not offer value acceptance (appraisal waiver) when an appraisal has been uploaded to the Uniform Collateral Data Portal (UCDP) within the prior 120 days from any lender.
				
				• **Eligible Transactions**
				  • A value acceptance (appraisal waiver) offer will be considered for the following transactions:
				    • one-unit properties, including condominiums,
				    • primary residence and second home transactions,
				    • investment property refinance transactions,
				    • certain purchase, limited cash-out, and cash-out refinance transactions, and
				    • ~~Limited cash-out refinance transactions:~~
				      • ~~Primary residences and second homes up to 90% LTV/TLTV~~
				      • ~~Investment Properties up to 75% LTV/TLTV~~
				    • ~~Cash-out refinance transactions:~~
				      • ~~Primary residences up to 70% LTV/TLTV~~
				      • ~~Second homes and investment properties up to 60% LTV/TLTV~~
				    • ~~Purchase transactions:~~
				      • ~~Primary residences and second homes up to 80% LTV/TLTV~~
				    • DU loan casefiles that receive an "Approve/Eligible" recommendation.
				
				Truist Note: See "Rural High-Needs Value Acceptance (Appraisal Waiver)" presented below for specific

Topic	Impacted Document	Impacted Products	Current Standards	Revised Standards (See COR25-001 for the Applicable Effective Dates of These Revisions)

			• The following transactions are not eligible for a value acceptance (appraisal waiver offer:
			  • Construction-to-permanent loans (single close and two-close),
			  • Two- to four-unit properties,
			  • HomeStyle Renovation and HomeStyle Energy loans,
			  • Leasehold properties,
			  • Transactions where either the purchase price or estimated value provided to DU is $1,000,000 or more,
			  • Properties with resale price restrictions,
			  • Proposed construction,
			  • DU loan casefiles that receive an ineligible recommendation,
			  • Transactions using gifts of equity,
			  • Texas Section 50(a)(6) loans, and
			  • Agency Plus Select transactions.
			
			Note: DU may offer value acceptance (appraisal waiver) a recently constructed property (i.e., new construction) when there is an existing "as is" prior appraisal for the subject property. For example, an appraisal of the subject property may have been performed for a different lender or borrower, but that loan did not close. The lender may execute the value acceptance (appraisal waiver) offer when the loan meets all other eligibility criteria for the transaction.
			
			• Furthermore, the lender may not exercise a value acceptance (appraisal waiver) offer and must order an appraisal if one or more of the following applies:
			  • DU was unable to identify ineligible criteria in the list above (for example, Texas Section 50(a)(6) loans),
			  • The lender is required by law to obtain an appraisal,
			  • The lender is using rental income from the subject property to qualify the borrower, or
			  • The lender believes that an appraisal is warranted based on additional information the lender has about the property or subsequent events.
			
			Truist Note: Truist clarifies that examples of additional information about the property include, but may not be limited to, the following:
			  • a home inspection report or other information in the loan file that indicates the presence of adverse conditions and/or marketability factors,
			  • the presence of any contaminated site or hazardous substance affecting the property or the neighborhood in which the property is located.
			
			Note: The lender may not exercise a value acceptance (appraisal waiver) offer if an appraisal is obtained for the transaction.
			
			Truist Note: See "Rural High-Needs Value Acceptance (Appraisal Waiver)" presented below for specific ineligibility requirements for value acceptance (appraisal waivers) appraisal waivers in selected rural high-needs areas.
			
			• **Representations and Warranties**
			  • When a loan casefile is eligible for value acceptance (appraisal waiver) and the offer is exercised by the lender, Fannie Mae accepts the value estimate submitted by the lender as the value for the subject property.
				eligibility requirements for value acceptance (appraisal waivers) in selected rural high-needs areas.
				
				• **Ineligible Transactions**
				  • The following transactions are not eligible for a value acceptance (appraisal waiver offer:
				    • Construction-to-permanent loans (single close and two-close),
				    • Two- to four-unit properties,
				    • HomeStyle Renovation and HomeStyle Energy loans,
				    • Leasehold properties,
				    • Transactions where either the purchase price or estimated value provided to DU is $1,000,000 or more,
				    • Properties with resale price restrictions,
				    • Proposed construction,
				    • DU loan casefiles that receive an ineligible recommendation,
				    • Transactions using gifts of equity,
				    • Texas Section 50(a)(6) loans, ~~and~~
				    • Agency Plus Select transactions, and
				    • DU loan casefiles that receive an Ineligible recommendation.
				
				Note: DU may offer value acceptance (appraisal waiver) on a recently constructed property (i.e., new construction) when there is an existing "as is" prior appraisal for the subject property. For example, an appraisal of the subject property may have been performed for a different lender or borrower, but that loan did not close. The lender may execute the value acceptance (appraisal waiver) offer when the loan meets all other eligibility criteria for the transaction.
				
				  • Furthermore, the lender may not exercise a value acceptance (appraisal waiver) offer and must order an appraisal if one or more of the following applies:
				    • DU was unable to identify ineligible criteria in the list above (for example, Texas Section 50(a)(6) loans),
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				    • a home inspection report or other information in the loan file that indicates the presence of adverse conditions and/or marketability factors,
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				Note: The lender may not exercise a value acceptance (appraisal waiver) offer if an appraisal is obtained for the transaction.
				
				Truist Note: See "Rural High-Needs Value Acceptance (Appraisal Waiver)" presented below for specific ineligibility requirements for value acceptance (appraisal waivers) appraisal waivers in selected rural high-needs areas.
				
				• **Representations and Warranties**

<table>
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<tr><td></td><td></td><td></td>
<td>
Reference: See the “Representations and Warranties on Property Value and Mortgaged Premises” subtopic previously presented in this topic for additional guidance.

Rural High-Needs Value Acceptance (Appraisal Waiver)

In selected rural high-needs areas, Fannie Mae may offer a value acceptance (appraisal waiver) through DU for certain transactions.

Truist Note: The Rural High-Needs Value Acceptance (Appraisal Waiver) offer will be considered only for property locations designated as rural high-needs by Fannie Mae’s Duty to Serve requirements. Click here to access an interactive version of the High-Needs Rural Areas Map (on the Federal Housing Finance Agency’s website) that shows the eligible counties.
The rural high-needs value acceptance (appraisal waiver) offer will be considered for the following transactions only:

loan casefiles that receive an “Approve/Eligible” recommendation;
purchase transactions;
one-unit primary residence properties;
borrowers with income at or below 100% of the area median income; and
LTV ratios up to 97% and TLTV ratios up to 105% with a Community Seconds.

The following are ineligible for the rural high-needs value acceptance (appraisal waiver):

cash-out or limited cash-out refinances;
second homes and investment properties; and
all other transactions that are ineligible for value acceptance (appraisal waiver) as listed above.

The following table provides the requirements related to the home inspection. These requirements must be met for the lender to exercise the rural high-needs value acceptance (appraisal waiver).
<table>
<tr><th>✓</th><th>The lender must</th></tr>
<tr><td></td><td>obtain a home inspection to determine the property condition. The inspection report must be retained in the loan file and made available to Fannie Mae upon request.</td></tr>
<tr><td></td><td>review the inspection report to verify the property condition. The content of the inspection report must be sufficient for the lender to determine whether the property is safe, sound, and structurally secure. Any issues that compromise safety, soundness, or structural integrity must be repaired before loan delivery.</td></tr>
<tr><td></td><td>obtain an affidavit signed by the borrower(s) confirming that they received a copy of the property inspection report, read the report, and were notified of any lender-required repairs.

Truist Note: There is no Fannie Mae specific form/format for the above referenced affidavit requirement. A signed letter/statement from the borrowers attesting to the items noted above is acceptable.</td></tr>
<tr><td></td><td>confirm that the purchase contract contains an inspection contingency that offers the borrower(s) enough time to cancel the contract without penalty if they so choose, should the inspection reveal an issue with the property.</td></tr>
</table>

</td>
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When a loan casefile is eligible for value acceptance (appraisal waiver) and the offer is exercised by the lender, Fannie Mae accepts the value estimate submitted by the lender as the value for the subject property.

Reference: See the “Representations and Warranties on Property Value and Mortgaged Premises” subtopic previously presented in this topic for additional guidance.

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			confirm that the inspector has liability insurance. use a professional inspector that meets the state license and education requirements for those states that regulate inspectors. **Note**: In states that do not have inspector licenses, inspectors that are professionally accredited members in good standing of a nationally recognized property inspection organization must be used. The national organization must require education, testing, and adherence to a code of ethics and to standards of practice. represent and warrant that the property is safe, sound, and structurally secure and that the property is not in C6 condition. See "Representations and Warranties" presented above and "Property Condition and Quality of Construction of the Improvements" in the "Appraisal Analysis: Agency Loan Programs" topic in Section 1.07 Appraisal Standard, for additional information. *All other currently published requirements in this section remain the same.*	confirm that the purchase contract contains an inspection contingency that offers the borrower(s) enough time to cancel the contract without penalty if they so choose, should the inspection reveal an issue with the property. confirm that the inspector has liability insurance. use a professional inspector that meets the state license and education requirements for those states that regulate inspectors. **Note**: In states that do not have inspector licenses, inspectors that are professionally accredited members in good standing of a nationally recognized property inspection organization must be used. The national organization must require education, testing, and adherence to a code of ethics and to standards of practice. represent and warrant that the property is safe, sound, and structurally secure and that the property is not in C6 condition. See "Representations and Warranties" presented above and "Property Condition and Quality of Construction of the Improvements" in the "Appraisal Analysis: Agency Loan Programs" topic in Section 1.07 Appraisal Standard, for additional information. *All other currently published requirements in this section remain the same.*

DU Value Acceptance + Property Data	Correspondent Section 2.01 Agency Loan Standard	• Standard Agency (DU)
		• Agency Plus (DU)
		• Home Ready® (DU)
			Appraisal Requirements / Fannie Mae's DU Value Acceptance + Property Data
			
			***Note**: Below is an EXCERPT only of the requirements from the above referenced section.*
			
			Fannie Mae DU
			Follow DU requirements, which are as follows:
			• **Overview**
			  ◦ For certain loan casefiles, DU offers value acceptance + property data - an option that requires interior and exterior property data collection to verify property eligibility prior to the note date. An appraisal is not required.
			
			• **Eligible Transactions**
			  ◦ Loan casefiles for certain one-unit properties will be considered for value acceptance + property data.
			
			• **Ineligible Transactions**
			  ◦ The following transactions are not eligible for value acceptance + property data:
			    ▪ two- to four-unit properties,
			    ▪ proposed construction,
			    ▪ construction-to-permanent loans (single-close and two-close),
			    ▪ investment properties when rental income is used to qualify the borrower,
			    ▪ <u>Agency Plus Select</u>,
			    ▪ HomeStyle Renovation and HomeStyle Energy loans,
			    ▪ Texas 50(a)(6) loans,
			    ▪ leasehold properties,
			    ▪ properties with resale price restrictions,
				Appraisal Requirements / Fannie Mae's DU Value Acceptance + Property Data
				
				***Note**: Below is an EXCERPT only of the requirements from the above referenced section.*
				
				Fannie Mae DU
				Follow DU requirements, which are as follows:
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				    ▪ investment properties when rental income is used to qualify the borrower,
				    ▪ <u>Agency Plus Select</u>,
				    ▪ HomeStyle Renovation and HomeStyle Energy loans,
				    ▪ Texas Section 50(a)(6) loans,
				    ▪ leasehold properties,
				    ▪ properties with resale price restrictions,

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			• transactions where either the purchase price or estimated value provided to DU is $1,000,000 or more, • transactions using gifts of equity, and • DU loan casefiles that receive an Ineligible recommendation. • Furthermore, Truist clarifies that the lender may not exercise a value acceptance + property data offer and must order an appraisal if one or more of the following applies: • DU was unable to identify ineligible criteria in the list above, • The lender is required by law to obtain an appraisal, or • The lender believes that an appraisal is warranted based on additional information the lender has about the property or subsequent events. **Truist Note**: Truist clarifies that examples of additional information about the property include, but may not be limited to, the following: • a home inspection report or other information in the loan file that indicates the presence of adverse conditions and/or marketability factors, • the presence of any contaminated site or hazardous substance affecting the property or the neighborhood in which the property is located. **Note**: The lender may not exercise a value acceptance + property data offer if an appraisal is obtained for the transaction. *All other currently published requirements in this section remain the same.*	• transactions where either the purchase price or estimated value provided to DU is $1,000,000 or more, • transactions using gifts of equity, and • DU loan casefiles that receive an Ineligible recommendation. • Furthermore, Truist clarifies that the lender may not exercise a value acceptance + property data offer and must order an appraisal if one or more of the following applies: • DU was unable to identify ineligible criteria in the list above, • The lender is required by law to obtain an appraisal, or • The lender believes that an appraisal is warranted based on additional information the lender has about the property or subsequent events. **Truist Note**: Truist clarifies that examples of additional information about the property include, but may not be limited to, the following: • a home inspection report or other information in the loan file that indicates the presence of adverse conditions and/or marketability factors, • the presence of any contaminated site or hazardous substance affecting the property or the neighborhood in which the property is located. **Note**: The lender may not exercise a value acceptance + property data offer if an appraisal is obtained for the transaction. *All other currently published requirements in this section remain the same.*