

Updates to the Escrow Eligibility and Escrow Waiver Guidelines for the Key Loan Program

Truist Bank (Truist) takes this opportunity to update the escrow eligibility and escrow waiver guidelines under the Key Loan Program. As a result of these updates, we revise the Key Loan Program guidelines in our *Correspondent Seller Guide*.

Effective Dates

Effective for new locks on or after July 22, 2022.

Background Information

Truist takes the opportunity to eliminate duplication and guideline inconsistencies around the “Client Eligibility Escrow Rollover and Waiver Requirements” in the Key Loan Program guidelines.

Bulletin Details

Borrower Eligibility Waiver Requirements

Escrow items can be waived partially or in full provided borrowers meet eligibility requirements. The underwriter must take the following information into consideration when determining if a borrow is eligible for an escrow waiver:

- Borrowers must have the financial ability to handle the lump-sum payments on their own. Financial ability is defined as the ability to make a payment from disposable income or to accumulate funds by the time the payment is due. Financial ability could be found to exist, for example, when the borrower has had an acceptable payment history on his or her mortgage.
- Escrow waivers must not be approved for clients with derogatory credit history. Examples of derogatory credit history may include the following:
 - There is more than one account showing recent late payments.
 - There is more than one 30-day late mortgage payment in the last 12 months.
 - There are multiple episodes of late payments extending over a period of time.
 - The public record information reveals occurrences of derogatory credit information, including judgments, tax liens, and/or collection accounts.
- No portion of the loan proceeds may be used to pay delinquent property taxes when escrows are waived on a loan.

Note: Underwriting must qualify the borrower using PITIA: principal, interest, taxes, insurance, and other housing related assessments such as HOA dues, and condo/co-op fees. Also included are all debt payments pertaining to the property as well as other debt payments (car, credit card, child or spousal support, other mortgages, etc.).

Bulletin Details, continued

- First-time homebuyers are not eligible for escrow waiver.
 - A first-time homebuyer is an individual who meets all of the following requirements:
 - Is purchasing the security property,
 - Will reside in security property as a primary residence, and
 - Had no ownership interest (sole or joint) in a residential property during the 3-year period preceding the date of the purchase of the security property.

Note: A displaced homemaker or a single parent may also be considered a first-time homebuyer if the individual had no ownership interest in a principal residence (other than a joint ownership interest with a spouse) during the preceding 3-year period. If a displaced homemaker or single parent solely owned the marital primary residence during the preceding 3-year period, the individual may not be considered a first-time homebuyer.

Escrows Eligible for Waiver

- Real estate taxes
- Hazard insurance, including HO-6 coverage (if applicable)
- Flood insurance, for the following:
 - condominiums that have master policies that carry sufficient flood coverage and show the homeowner's association (HOA) as the insured; however, if it is acceptable for the client to obtain an individual flood policy, then mandatory flood insurance escrows are required for the individual policies
 - loans involving PUDs with master flood insurance policies that reflect the HOA as the insured

Escrows and Loan Transactions Ineligible for Waiver

- Flood insurance escrows cannot be waived, regardless of the LTV, if:
 - the product requires the establishment of escrows, or
 - the subject property is a primary residence (all transaction types) or second homes (all transaction types)
 - the subject property is a condominium and all individual flood insurance policies for the condominium unit shows the client as the insured, including flood insurance policies that are required to supplement a Residential Condominium Building Association Policy (RCBAP) shortfall.
 - A condominium and some PUD properties are not required to establish an escrow for flood insurance if that condominium or PUD property has a master policy that carries sufficient flood coverage and that policy reflects the HOA as the insured and not the subject. However if it is acceptable for the client to obtain an individual flood policy, then mandatory escrow is required for the individual policies.

Note: The above guidance applies, regardless of any exception under the Homeowner Flood Insurance Affordability Act (HFIAA) for small lenders.

- Leasehold estate ground rent cannot be waived when the ground lease agreement is in the name of the borrower.

Bulletin Details, continued

- Special assessments levied against the property cannot be waived when it is not paid at closing. They require payment at closing or the establishment of an escrow account. A special assessment is a unique charge that a governmental unit or homeowners association imposes to fund a public project that creates a benefit in properties lying within a special geographic area known as a special assessment district. The special assessment includes but is not limited to the following:
 - Installation of drinking water lines
 - Installation of sewer lines
 - Street paving with concrete or some other impervious surface
 - Installation of street lighting
- Loan transactions ineligible for escrow waiver:
 - Higher Priced Mortgage Loans

Loan Eligibility Waiver Requirements

- Key Loan program transactions are eligible for an escrow waiver, with the following requirements:
 - fixed rate and ARM loans
 - 80% LTV or less (California only, LTVs <90%)

Reference: See “Borrower Eligibility Waiver Requirements,” “Escrows Eligible for Waiver,” and “Escrows and Loan Transactions Ineligible for Waiver” previously presented in this subtopic for additional guidance.

Escrow Waiver Fees

- Escrow waiver fees vary according to loan product or property state. The full escrow waiver fee, for a specific product, is included on the Truist SRP Schedule by product or by state. Partial or full escrow waiver request will be priced to the loans without escrow pricing provided on the SRP schedule.

Note: Correspondents should contact the Correspondent Lock Desk if they have additional questions about escrow waivers.

Loan File Documentation

- When an escrow waiver has been granted, Correspondent lenders are required to provide a waiver of tax and insurance escrow form.
- The waiver of tax and insurance escrow form must be executed by the borrower(s) and the loan officer.
- Copies of the hazard and/or flood insurance policies, and the *Tax Information Sheet* are required to be in the loan file, even when the loan is non-escrowed in part or full.

Before and After Matrix

[Click here](#) to see the before and after matrix that provides a detailed overview of all guideline revisions .

Revised Material

Click [Section 1.08: Loan Delivery and Purchase Review](#) to review the revised material.

Former Guidelines

See the before and after matrix provided in the Bulletin Details section of this bulletin to access the former guidelines.

Other Resources

Support Group	Description and Contact Information:
Correspondent Relations Coordinator	Specific questions on applying this procedure to specific loan files. Contact Correspondent Relations Coordinators at 800.382.2111, Option 1.
Product Support	Provides phone and email support on products, policies, and procedures as well as new product rollout and existing product enhancement. Contact Product Support at 800.382.2111, option 3.