

Product Release

Information for Correspondent Lenders of Truist Bank
August 21 2020 • COR20-036



Alert

Update

Reminder

Clarification

Training
Information

Preview

Agency Guideline Revisions

Truist Bank (Truist) revises Agency non-AUS and Desktop Underwriter® (DU®) product guidelines as a result of recently announced Fannie Mae updates. With these updates, we align with Fannie Mae and revise guidelines related to the following:

- escrow account requirements for limited cash-out refinance transactions
- rental income lease review requirements
- condo project standards
- DU appraisal waiver eligibility
- appraisal requirements

As a result of a recently announced Freddie Mac update, we also revise Agency Loan Product Advisor® (LPA®) rental income guidelines related to lease requirements. Additionally, in support of our guideline improvement initiative, we update non-AUS and DU appraisal guidelines to include environmental hazards appraisal requirements.

Effective Dates

All updates are effective immediately for existing and new loan applications on or after August 21, 2020.

Background Information

Fannie Mae SEL-2020-03 and Freddie Mac Bulletin 2020-26 announced updates impacting various guideline requirements. In response to these publications, we reviewed impacted guidelines and identified the opportunity to implement revisions to align with Fannie Mae and Freddie Mac requirements.

In support of our guideline improvement initiative, we identified the opportunity to update our non-AUS and DU appraisal guidelines to include environmental hazards appraisal requirements.

Bulletin Details

Escrow Account Requirements for Limited Cash-Out Refinance Transactions

For non-AUS and DU loans, we revise limited cash-out refinance guidelines to no longer require borrowers to establish an escrow account when including non-delinquent taxes in the loan amount, provided that:

- the real estate taxes are paid in full through the transaction, and
- payment for the taxes are disbursed to the taxing authority through the closing transaction, with no funds used for the taxes disbursed to the borrower.

Rental Income Lease Review Requirements

- For non-AUS and DU loans, we revise rental income documentation requirements when there is a lease on the property that is being transferred to the borrower. With this update, the method used to determine that rental property leases do not adversely impact first lien position or enforceability is at the discretion of the lender. As a reminder, lenders remain responsible for making the representations and warranties related to title, marketability, and lien position as required by Fannie Mae.
- For LPA loans, we align with Freddie Mac and remove reference to the lease being “documented as assigned from the property seller to the borrower” from the “Lease Requirements” row in the “Rental Income from Property Owned in the Prior Calendar Year” chart within the “Documentation, History and Analysis” subsection. The reference was inadvertently included with a prior publication.

Bulletin Details, continued

Condo Project Standards

For non-AUS and DU loans, we revise condo project guidelines as follows:

- Specify that Fannie Mae considers a development to be a condo project anytime it is declared or filed as a horizontal property regime in accordance with local statutes. Exception is made if the local statute provides for the horizontal property regime to be created as a PUD development and the project's legal documents specifically state that the project is a PUD.
- Revise condo environmental hazard assessment guidelines to:
 - clarify that when an environmental hazard is identified, the hazard must be determined to be acceptable or curable through remedial actions
 - specify that some jurisdictions will issue a "no further action" notice to alert the public that all available remediation steps for an environmental hazard have been completed
 - require lenders to determine if the specific condition in the notice renders the project eligible or ineligible based on Fannie Mae's environmental standards

DU Appraisal Waiver Eligibility

We clarify that DU may offer an appraisal waiver on a recently constructed property that is 100% complete 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 appraisal waiver offer when the loan meets all other eligibility criteria for the transaction.

Appraisal Requirements

For non-AUS and DU loans, we revise appraisal requirements to:

- state that whole numbers are required for the Predominant Age and Predominant Price appraisal fields
- include environmental hazards appraisal requirements

Before and After Matrix

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

Revised Materials

Click [Condominium and PUD Approval Requirements](#), [Appraisal Guidelines](#), and [Agency Loan Programs](#) to review the revised product materials.

Former Guidelines

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

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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.

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