

Alert

Update

Reminder

Clarification

Training
Information

Preview

Agency Automated Income Assessment with LPA Using Account Data and Other Revisions

Truist Bank (Truist) revises Agency Loan Product Advisor® (LPASM) requirements to align with previously announced Freddie Mac updates. With these updates we:

- embrace Freddie Mac's automated income assessment with LPA using account data (direct deposits) offering
- permit a signed IRS Form 4506-C as an additional alternative to the borrowers signatures on tax returns
- revise property insurance requirements to:
 - include a description for the replacement cost value and add examples to assist with determining property insurance coverage limit requirements for 1- to 4-unit properties
 - revise rating requirements for property insurers rated by AM Best to remove the Financial Size Category (FSC) requirement and separate rating requirements for non-U.S. insurers

We also revise non-AUS and Desktop Underwriter® (DU®) property insurance rating requirements for insurers rated by AM Best to remove a best execution overlay which requires a FSC of "III" or greater in Best's Insurance Reports.

Effective Dates

All updates are effective immediately for existing and new loan applications on or after April 14, 2023.

Background Information

Freddie Mac Bulletins 2022-5, 2022-16, and 2022-23 announced updates impacting several Agency LPA requirements. In response to these publications, we reviewed impacted product standards and identified the opportunity to implement revisions to align with Freddie Mac requirements. We also identified the opportunity to remove a non-AUS and DU best execution overlay related to property insurance rating requirements for insurers rated by AM Best in Best's Insurance Reports.

Bulletin Details

Automated Income Assessment with LPA Using Account Data

For LPA loans, we have embraced automated income assessment with LPA using account data (direct deposits), which is part of asset and income modeler (AIM). Highlights of the requirements for the automated income assessment with LPA using account data offering are outlined below. *(See the attached before and after matrix for a complete list of automated income assessment with LPA using account data requirements).*

Bulletin Details, continued

Automated Income Assessment with LPA Using Account Data, continued

- This offering is focused on LPA's assessment of income amounts deposited into the borrower's depository accounts as automated clearing house (ACH) deposits ("direct deposit income"). It is designed to automate the income calculation process and provide lenders with relief from enforcement of certain representation and warranties related the borrower's income.
- To utilize this offering, the lender must obtain a verification report that is produced by a third-party service provider designated by Freddie Mac or produced through a Freddie Mac-supplied application programming interface (API) using data transmitted by the lender. The lender must obtain Freddie Mac's written approval to transmit data through the API.
- The verification report will reflect income amounts (payment streams) deposited into the borrower's depository accounts as automated clearing house (ACH) deposits (the "direct deposit data"). Based on information submitted, LPA will retrieve the verification report, assess for representation and warranty relief eligibility, and return the results of the assessment on the Feedback Certificate.
- The following income types are eligible for automated income assessment with LPA using account data:
 - Base non-fluctuating employment earnings
 - Fluctuating hourly employment earnings
 - Military base (basic) pay
 - Full-time and part-time employment
 - Earnings of a borrower employed by a family member, the property seller, real estate broker, or other interested party to the transaction
 - Employed income from foreign sources
 - The following additional employed income earnings:
 - Overtime income
 - Bonus income
 - Commission income
 - Military entitlements
 - The following other income types:
 - Retirement income from Social Security and pensions
 - Social Security Survivors benefits
 - Social Security disability benefits
 - Social Security Supplemental Security Income (SSI)
 - Veterans Affairs (VA) disability compensation, and
 - Alimony, child support, or separate maintenance payments
- For each verification report obtained, the lender must:
 - Confirm that each depository account is owned by at least one borrower and such borrower has access to the funds in the account

Bulletin Details, continued

Automated Income Assessment with LPA Using Account Data, continued

- Confirm, using the information in the mortgage file, that the payor(s) is one of the following:
 - The borrower’s current employer
 - The pension fund(s)
 - The Social Security Administration or Veterans Affairs (VA, and/or
 - For alimony, child support or maintenance payments, that the payments are made either by, or on behalf of, the responsible party identified in the signed court order, legally binding separation agreement and/or final divorce decree
- For LPA to assess the mortgage for income representation and warranty relief, the following requirements must be met:
 - The lender must ensure that the most current version of the verification report is used by LPA. If the lender obtains an updated report, the mortgage must be resubmitted to LPA to ensure assessment of the most current information.
 - The lender must submit to LPA the income amount it used to underwrite the mortgage.
 - The lender is responsible for investigating and resolving any inconsistent or contradictory information between the verification report, information contained in Form 65, *Uniform Residential Loan Application* (including the borrower's income and employment representations) and the mortgage file. If necessary, the lender must update information in LPA as applicable.
 - The lender must not have any information or documentation that contradicts a reasonable expectation of continuance of income or probability of consistent receipt of income for at least the next three years.

Additional Alternative to Signatures on Tax Returns

Currently, for LPA loans, we require borrowers to sign their tax returns unless evidence that the tax returns were filed electronically or the tax transcripts that validate the information on the unsigned tax returns are included in the loan file. With today’s update, we now permit a signed IRS Form 4506-C (or an alternative form acceptable to the IRS that authorizes the release of comparable tax information to a third party) as an additional alternative to the borrowers signatures on tax returns.

Property Insurance Related Revisions

For LPA loans, we:

- included a description for the replacement cost value and added tables with examples (and step-by-step instructions) on how to determine the property coverage limit requirements for 1- to 4-unit properties
- revised rating requirements for property insurers rated by AM Best to remove the FSC requirement and separate rating requirements for non-U.S. insurers

Bulletin Details, continued

Property Insurance Related Revisions, continued

For non-AUS and DU loans, we revised rating requirements for property insurers rated by AM Best to remove a best execution overlay which required a FSC of “III” or greater in Best’s Insurance Reports.

Before and After Matrix

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

Revised Materials

Click [Agency Loan Standard](#) and [Agency Overlay Matrix](#) to review the revised product materials.

Former Standards

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

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.

This information is for use by mortgage professionals only and should not be distributed to or used by consumers or other third parties. This is not for solicitation of sales. Information is accurate as of date of posting and is subject to change without current product details and lending procedure. Truist Bank does not guarantee or assume liability for any third-party products or services. Truist Bank is an Equal Housing Lender. ©2023 Truist Financial Corporation. All rights reserved.