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## Agency Limited Cash-Out Refinance Transactions Revisions

Truist Bank (Truist) revises Agency non-AUS and Desktop Underwriter® (DU®) limited cash-out refinance transactions requirements to align with recently announced Fannie Mae updates. With these updates we:

- require at least one borrower to be a current owner of the subject property (on title) at the time of the initial loan application
- allow a two-closing construction-to-permanent loan to include documented construction cost overruns that occurred outside of the interim construction loan

### Effective Dates

- The borrower ownership requirement (at the time of the initial loan application) is effective for new loan applications dated on or after September 1, 2023.
- The construction cost overruns update is effective immediately for existing and new loan applications on or after September 1, 2023.

### Background Information

Fannie Mae SEL-2022-05 announced an update related to construction cost overruns in limited cash-out refinance transactions. Fannie Mae SEL-2023-06 announced an update related to eligibility requirements for limited cash-out refinance transactions. In response to these publications, we reviewed impacted standard documents and identified the need to implement revisions to align with Fannie Mae requirements.

### Bulletin Details

#### Borrower Ownership Requirement for Limited Cash-Out Refinance Transactions

For non-AUS and DU loans, we revised the eligibility requirements for limited cash-out refinance transactions to state that at least one borrower on the new loan must be a current owner of the subject property (on title) at the time of the initial loan application. Exceptions to this requirement are permitted in the following scenarios:

- the borrower acquired the property through an inheritance or was legally awarded the property (such as through a divorce, separation, or dissolution of a domestic partnership), or
- the property was previously owned by an inter vivos revocable trust and the borrower is the primary beneficiary of the trust.

**Note:** DU messaging will be updated in a future release to remind lenders of this requirement.

## Bulletin Details, continued

### Construction Cost Overruns in Limited Cash-Out Refinance Transactions

For non-AUS and DU loans, we revised limited cash-out refinance requirements for two-closing construction-to-permanent loans to allow documented construction cost overruns that occurred outside of the interim construction lien to be included in the new loan amount. These construction cost overruns must be paid directly to the builder at the time of closing.

### Before and After Matrix

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

### Revised Material

Click [Agency Loan Standard](#) to review the revised product material.

## 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.

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