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Agency Standards Revisions and DU Version 11.1 Updates

Truist Bank (Truist) revises Agency non-AUS, Desktop Underwriter® (DU®), and Loan Product Advisor® (LPASM) requirements as a result of recently announced Fannie Mae and Freddie Mac updates. With these updates we:

- for non-AUS and DU loans, allow use of Fannie Mae’s new Income Calculator to determine the monthly qualifying income for self-employed borrowers
- for non-AUS and DU loans, allow a paystub or bank statements as alternative methods to satisfy verbal verification of employment requirements (*permitted for Delegated Underwritten Loans only*)
- for LPA loans, allow a paystub as an eligible verification of employment (10-day pre-closing verification) type (*permitted for Delegated Underwritten Loans only*)
- revise non-AUS and DU restricted stock and restricted stock units income eligibility requirements
- revise non-AUS and DU requirements to allow the gross-up of certain nontaxable (i.e., tax exempt) income without providing additional documentation
- revise LPA appraisal requirements to provide examples of acceptable data sources that may be used when determining and in support of market condition adjustments
- for non-AUS and DU loans, permit lenders to obtain an attorney title opinion letter on loans secured by a unit in a condo project, or a property subject to restrictive agreements or restrictive covenants
- expand eligibility for the types of improvements that may be financed with a GreenCHOICE Mortgage® (**Reminder:** *GreenCHOICE Mortgages are ineligible for delivery under the CorrAdvantage execution*)
- announce Truist’s delay in adopting use of Fannie Mae’s Certified Shared Equity Program List (*new overlay; this restriction applies to CorrAdvantage loans as well*)

We announce that Fannie Mae will implement updates to DU Version 11.1 this weekend, February 10, 2024.

Changes in the DU release will include:

- updates to support rent payment identification on third-party asset verification reports
- updates to align DU with requirements related to the following: self-employment documentation, verification of employment alternatives, collections, and loan amount validation

We also refresh non-AUS and DU “Continuity of Income,” LPA “no cash-out” refinance, and “General Requirements for All Delegated Loans” related requirements to improve the presentation of our published Agency requirements (*intent of requirements remain the same*).

Effective Dates

- The restricted stock and restricted stock units income related update is effective for new loan applications dated on or after February 9, 2024.

Effective Dates, continued

- The DU release related changes will apply to DU Version 11.1 loan casefiles submitted or resubmitted to DU on or after the weekend of February 10, 2024.
- All other updates are effective immediately for existing and new loan applications on or after February 9, 2024.

Background Information

Fannie Mae SEL-2023-11 and Freddie Mac Bulletin 2023-24 announced updates impacting various Agency requirements. In Desktop Underwriter/Desktop Originator Release Notes DU Version 11.1 February Update, Fannie Mae announced DU Version 11.1 related updates. In response to these publications, we reviewed impacted standard documents and identified the updates we are currently able to implement to align with Fannie Mae and Freddie Mac requirements. We also continue to identify opportunities to improve the presentation of our published Agency requirements.

Bulletin Details

Fannie Mae's New Income Calculator

For non-AUS and DU loans, Truist now allows use of Fannie Mae's new tool, Income Calculator, to assist lenders in accurately determining the monthly qualifying income for self-employed borrowers. Use of Fannie Mae's Income Calculator is optional.

Income Calculator provides a complete analysis of self-employment income for each borrower on a business-by-business basis and produces a Findings Report that summarizes the overall qualifying income amount, trending analysis, business liquidity, and provides specific messaging for each business evaluation. The Income Calculator Findings Report can be used to satisfy the written analysis requirement of a lender's evaluation for self-employed borrowers. Additionally, loans are eligible for relief from enforcement of representations and warranties for the income calculation if certain requirements are met (*see today's revised product materials for details*). Initially, this income calculator will only be available through a Fannie Mae-approved technology service provider (TSP).

Notes:

- If Fannie Mae's Income Calculator is used, Correspondent Lenders are responsible for engaging an approved TSP to support income evaluation submissions and resubmissions (if updates are needed) to Fannie Mae's Income Calculator.
- If Fannie Mae's Income Calculator is used and the loan is being submitted to Truist for underwriting, a copy of the Income Calculator Findings Report is required as a part of the submission package.
- Correspondent Lenders are encouraged to access Fannie Mae's Income Calculator [website](#) for additional information on how the Income Calculator works and authorized TSPs.

Bulletin Details, continued

Verbal Verification of Employment (VOE)/10-Day Pre-Closing Verification (PCV)

For non-AUS and DU loans, we revised requirements to reflect a paystub or bank statements as allowable alternative methods to meet verbal VOE requirements. For LPA loans, we revised requirements to allow a paystub as an eligible verification of employment (10-day PCV) type. These eligibility updates are subject to additional requirements (*see today's revised product materials for details*).

Note: Loans where a paystub or bank statement (as applicable, per underwriting method) is used to verify employment must be underwritten by a Correspondent lender approved by Truist for delegated underwriting authority. These transactions are not eligible for purchase if Truist underwrites the loan.

Restricted Stock Units and Restricted Stock Income

For non-AUS and DU loans, we revised restricted stock and restricted stock units (collectively referred to as "restricted stock") income eligibility requirements. To be used as qualifying income, the restricted stock must have vested and been distributed to the borrower without restrictions and the lender must document all of the following:

- evidence stock is publicly traded
- current vesting schedule reflecting past and future vesting
- brokerage or bank statement showing receipt of previous year(s) distribution of restricted stock and, at a minimum, the number of vested shares or cash equivalent
- a completed *Request for Verification of Employment* (Form 1005) that shows restricted stock distributions, or the borrower's recent paystub showing receipt of restricted stock income
- the borrower's IRS W-2 forms covering the most recent two-year period

The calculation method for restricted stock income will vary depending on whether the income is received in the form of shares or cash and the length of time the borrower has received compensation.

Nontaxable (i.e., Tax Exempt) Income

For non-AUS and DU loans, we revised requirements to allow 15% of social security income and the full amount of qualifying child support income to be treated as nontaxable (i.e., tax exempt) income without having to provide documentation evidencing the nontaxable status. This nontaxable income may then be grossed-up and added to qualifying income.

Note: A social security income example is provided in today's revised product materials to illustrate the intent of this update.

Bulletin Details, continued

Appraisals – Market Condition Adjustments

For LPA loans, we revised appraisal requirements to provide examples of acceptable data sources that may be used when determining and in support of adjustments for changes in market conditions over time. In addition to market data (i.e., comparable listings and pending or closed sales), acceptable data sources include, but are not limited to, home price indices, multiple listings services, public records, and commercial services, models, and data. The appraiser may use any credible data source to help determine and support market condition adjustments. The appraiser must also describe their market analysis.

Attorney Title Opinion Letters

For non-AUS and DU loans, we revised requirements to allow either a lender's title insurance policy, or in limited circumstances, an attorney title opinion letter for the following transactions:

- loans secured by a unit in a condo project
- loans secured by a property subject to restrictive agreements or restrictive covenants

GreenCHOICE Mortgages

For LPA loans, we revised GreenCHOICE mortgage requirements as follows:

- expanded the eligible improvements that may be financed to include:
 - energy and/or water efficiency improvements, including, but not limited to:
 - ENERGY STAR Energy Efficient Products listed at https://www.energystar.gov/products/products_list
 - Electrification improvements (e.g., replacing equipment or appliances that run on natural gas or other combustible fuel with efficient, all-electric technologies, such as heat pumps and induction cooktops)
 - health and safety improvements (e.g., ventilation, radon remediation, asbestos, mold or lead abatement and building-code compliance if cited by the applicable jurisdiction)
 - resiliency and preventative improvements to either repair natural disaster damage or improve a home's ability to withstand future natural disasters
- updated requirements to reflect that:
 - eligible improvements must be permanently affixed to the property, except for appliances used in a kitchen, laundry room or utility room, or health and safety improvements
 - for certain eligible improvements, the lender may obtain and retain in the mortgage file alternative documentation in lieu of an energy report (*see today's revised product materials for additional details*)
- removed outdated and/or duplicated guidance for a "no cash-out" refinance GreenCHOICE mortgage that is also a Home Possible® mortgage where the proceeds are used to pay an existing debt

Reminder: GreenCHOICE mortgages are ineligible for delivery under the CorrAdvantage execution.

Bulletin Details, continued

Certified Shared Equity Program List

Fannie Mae recently introduced a new Certified Shared Equity Program List to help lenders simplify their review of shared equity transactions and satisfy compliance with certain shared equity requirements. Truist technology updates are needed to support Fannie Mae's special feature code delivery requirement for shared equity loans in connection with a program on the Certified Shared Equity Program List. Until updates are made, loans where the Certified Shared Equity Program List is used to confirm compliance with certain shared equity requirements are **not eligible for purchase** (*new overlay*). This restriction applies to CorrAdvantage loans as well.

DU Version 11.1 Updates

- **Rent Payment Identification on Third-Party Asset Verification Reports:** DU logic updates will be made to improve DU's ability to identify a rent payment history on a 12-month third-party asset verification report for use in the credit risk assessment.
- **Self-Employment Documentation:** Product Release [COR23-091](#) announced updates that permitted one year of personal and business tax returns for self-employed borrowers. DU was updated to begin issuing new self-employed documentation messages supporting this update for DU Version 11.1 loan casefile created on or after January 1, 2024, when the borrower's **primary** job was self-employment. With this weekend's update, DU will now issue the new self-employment documentation messages when any job is self-employed, **primary or secondary**.
- **Verification of Employment Alternatives:** The DU verbal VOE message will be updated to support the new paystub and bank statement verbal VOE alternatives previously outlined in this bulletin.
- **Collection Messages:** Currently published requirements specify when collection accounts must be paid in full prior to closing. The collection messages issued by DU will be updated to include all collections reported on the credit report, even if they are shown on the loan application and indicated that the account will be paid by closing.
- **Loan Amount Validation:** DU will be updated to issue an Error recommendation on purchase transactions when the loan amount provided on the loan application is greater than the sales price.

Other Agency Standards Improvement Updates

In support of our standards improvement initiative, we:

- refreshed non-AUS and DU "Continuity of Income" guidance (*in the table that contains examples of income types with and without defined expiration dates*) in Section 2.01: Agency Loan Standard to:
 - add reference to the separate maintenance income type
 - remove reference to trust income (*This reference was removed because there is currently a bullet point under this table that states that continuity of income for trust income must be based on the type of income received through the trust.*)
 - incorporate other minor wording/formatting changes

Bulletin Details, continued

Other Agency Standards Improvement Updates, continued

Note: With the above referenced improvement updates, our published requirements now align with Fannie Mae's language/presentation of guidance. Additionally, the requirements intent remained the same.

- added the words “pay off or” back to the following bullet point under LPA “no cash-out” refinance requirements in Section 2.01: Agency Loan Standard (*these words were inadvertently removed during a previous update to this section*):
 - **Pay off or** pay down any junior liens secured by the mortgaged premises, that were used in their entirety to acquire the subject property. Any remaining balance must be subordinated to the refinance mortgage.
- added “Freddie Mac’s CHOICERenovation mortgage transactions” to the list of loan transactions that are not eligible for purchase if Truist underwrites the loan in Section 1.05: Underwriting Standard (*promoting consistency with currently published CHOICERenovation underwriting guidance*)

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 [Underwriting Standard](#), [Appraisal Standard](#), [Title Insurance Standard](#), [Agency Loan Standard](#), [Fannie Mae HomeReady®](#) and [Freddie Mac Home Possible® Mortgages Standard](#), [CorrAdvantage 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.

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