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Agency Reconsideration of Value and Other Agency Standards Revisions

Truist Bank (Truist) revises Agency requirements to align with previously announced Fannie Mae and Freddie Mac updates. With these updates we:

- add new requirements for handling reconsideration of value (ROV) requests for non-AUS, Desktop Underwriter® (DU®), and Loan Product Advisor® (LPASM) loans
- revise LPA qualifying ratio requirements to include an allowance for the exclusion of waived real estate taxes from the calculation of the borrower’s housing expense ratio
- expand the list of eligible uses of LPA CHOICERenovation® mortgage proceeds and permit CHOICERenovation mortgages to be used in conjunction with the LPA GreenCHOICE® offering

***Reminders:** All CHOICERenovation mortgage transactions must be underwritten by the Correspondent lender (approved by Truist for delegated underwriting authority). CHOICERenovation mortgage transactions are not eligible for purchase if Truist underwrites the loan. Additionally, GreenCHOICE and CHOICERenovation mortgage transactions are ineligible for delivery under the CorrAdvantage execution.*

We refresh second appraisals and loan application requirements to promote consistency and/or to align with Fannie Mae and Freddie Mac’s presentation of guidance. We also refresh LPA CHOICERenovation requirements to remove references to custodial accounts for renovation funds, remove reference to the ineligibility of “seasoned mortgages,” and incorporate other minor formatting changes.

Effective Dates

- Truist encourages lenders to implement the new ROV requirements immediately but must implement by October 31, 2024 (for loans with applications dated on or after October 31, 2024).
- All other updates are effective immediately for existing and new loan applications on or after August 23, 2024.

Background Information

Fannie Mae SEL-2024-03 and Freddie Mac Bulletin 2024-6 announced new requirements related to ROVs, developed in collaboration with the Federal Housing Finance Agency (FHFA) and the U.S. Department of Housing and Urban Development (HUD) Federal Housing Administration, which promote consistency when a perceived appraisal issue and/or appraisal deficiency exists. Freddie Mac Bulletin 2023-3 announced updates to CHOICERenovation mortgage requirements. Freddie Mac Bulletin 2023-11 announced updates related to real estate tax abatements and exemptions. In response to these publications, we reviewed impacted standard documents and identified the need to implement revisions 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

Reconsideration of Value (ROV)

For non-AUS, DU, and LPA loans, we announce new requirements for handling ROV requests. A “reconsideration of value” is a request to an appraiser to re-assess the appraised value of a property due to potential appraisal reporting deficiencies, inappropriate selection of comparable properties, or based upon additional information the appraiser should consider. The new ROV requirements promote consistency when a perceived appraisal issue and/or appraisal deficiency exists. These new requirements also formalize a framework for lenders to review and respond to a borrower-initiated ROV. Highlights of the new ROV requirements include, but are not limited to, the following (*see today’s revised product materials for additional details*):

- For loans requiring an appraisal report, lenders must have policies and procedures in place for a borrower-initiated ROV. At a minimum, the ROV process must meet Agency requirements and adhere to all applicable local, state, and federal laws.
- The ROV process must include a review and resolution procedure for the ROV request, and steps for the borrower(s) to appeal an appraisal when it is believed the opinion of value is unsupported, may be deficient due to unacceptable appraisal practices, or reflects prohibited discriminatory practices. Regardless of the outcome of the ROV, the lender is responsible for ensuring the appraisal report and opinion of market value are reliable and adequately supported.
- The lender must provide a disclosure to the borrower outlining the ROV process at the time of loan application and again when the appraisal report is provided to the borrower. The disclosure must make it clear that only one borrower-initiated ROV is permitted per appraisal. *See today’s revised product materials for additional information the borrower must provide to initiate the ROV process.*
- In addition to the borrower ROV submission requirements, the lender’s ROV policies and procedures must include instructions on required information for a borrower-submitted ROV and standardized communication to the appraiser. The lender must complete its appraisal review before initiating the ROV process. *See today’s revised product materials for additional lender requirements.*
- If material deficiencies identified in the appraisal report are not corrected or addressed by the appraiser upon request, or if there is evidence of any unacceptable appraisal practices, the lender must forward the appraisal report and summary of findings to the appropriate appraisal licensing agency or regulatory board. The lender must also report suspected overt violations of anti-discrimination laws to the proper local, state, and federal agency. In the event of these occurrences, the lender may obtain a second or subsequent appraisal report.
- After a loan has closed, an ROV request is no longer allowed to be submitted by the borrower.
- The ROV process must not conflict with *Appraiser Independence Requirements*.
- All documentation and communications related to the initiation and outcome of the ROV must be retained in the loan file.

Bulletin Details, continued

Real Estate Tax Abatements and Exemptions

For LPA loans, when there is a real estate tax abatement on the property, prior to today's update, requirements permitted the lender to use the reduced real estate tax amount in the monthly housing expense calculation, provided that the mortgage file contained evidence of the tax abatement and the documentation showed that the tax abatement will remain in place for at least five years after the note date. With today's update, we revised LPA requirements to specify that:

- When there is a partial or complete real estate tax abatement on the property, or the borrower is exempt from real estate taxes, the lender may use the reduced real estate tax amount in the monthly housing expense calculation **or** exclude the real estate tax amount from the monthly housing expense calculation, as applicable. The mortgage file must contain evidence of the tax abatement or exemption, and the documentation must show that the tax abatement or exemption will continue for at least five years after the note date.
- For tax exemptions associated with the borrower's age or disability, documentation verifying five years' continuance is not required, provided; however, the exemption must not have a predetermined expiration date within five years of the note date.

CHOICERenovation Mortgages

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

- expanded the list of eligible uses of CHOICERenovation mortgage proceeds to include:
 - adding or renovating outdoor structures used for leisure and recreation, including, but not limited to, swimming pools, decking, screening and porch and patio additions
 - renovations to improve the energy and/or water efficiency, the health and safety and/or the resiliency and preventiveness of the mortgaged premises (permitting CHOICERenovation mortgages to be used in conjunction with the GreenCHOICE mortgage offering)

Note: *When CHOICERenovation mortgage proceeds finance renovations completed after the note date to improve the energy and/or water efficiency, the health and safety and/or the resiliency and preventiveness of the mortgaged premises, **in addition to special feature code (SFC) J25**, also use **SFC J08** to identify that the CHOICERenovation mortgage is combined with a GreenCHOICE mortgage. (See today's revised product materials for additional information related to special requirements that apply when CHOICERenovation mortgages are combined with GreenCHOICE mortgages.)*

- removed references to custodial accounts for renovation funds (*promoting consistency with Truist's current CHOICERenovation offering requirements*)

Bulletin Details, continued

CHOICERenovation Mortgages, continued

- removed reference to the ineligibility of “seasoned mortgages” (*promoting consistency with Truist’s currently published exception regarding the delivery timeframe for CHOICERenovation mortgages, outlined in the “Delivery of a Closed Loan File/Seasoned Loans Standards” topic/subtopic within the [Loan Delivery and Purchase Review Standard](#) document*)
- incorporated other minor formatting changes to align with Freddie Mac’s wording/presentation of guidance (*requirements intent remained the same*)

Note: See the Bulletin Summary (on page one) for reminders regarding underwriting and delivery restrictions for CHOICERenovation and GreenCHOICE mortgages.

Standards Improvement Updates

The following updates were made in support of our standards improvement initiative:

- **Second Appraisals:** Updated non-AUS, DU, and LPA requirements to promote consistency with currently published Fannie Mae and Freddie Mac guidance (*requirements intent remained the same*)
- **Loan Application Requirements / Requirements for the Loan Application Package:** Updated non-AUS and DU requirements to align with Fannie Mae’s presentation of guidance

Before and After Matrices

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

Revised Materials

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

Former Standards

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

Other Resources

Support Group	Description and Contact Information:
Correspondent Relationship Coordinator	Specific questions on applying this procedure to specific loan files. Contact your Correspondent Relationship Coordinator 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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