

Alert

Update

Reminder

Clarification

Training
Information

Preview

Correspondent Government Overlay Relief

Truist Bank (Truist) is taking the opportunity to remove certain overlays for FHA, VA and RD products.

Effective Dates

Effective for existing and new locks on or after February 27, 2026.

Background Information

In order to mitigate certain risks, Truist maintains overlays in our Standards. These overlays are applied, in addition to the government agencies' requirements. Overlays are implemented to mitigate risk on the loans originated, comply with specific investor requirements, respond to current technology constraints, facilitate process and control needs, or comply with legal and compliance requirements or state law.

As part of a collaborative project between product management and credit risk, an in-depth review was completed to determine which overlays are no longer necessary to retain. While certain overlays were recommended to be completely removed, others have been revised to align with Truist's current policies.

Bulletin Details

The following updates have been completed in Truist's FHA, VA, and RD Loan Standards:

FHA

Truist is removing the below overlays and the Correspondent lenders must follow HUD HB 4000.1 requirements:

- Stocks and Bonds: If using funds for closing, proof of liquidation is required.
- Minimum Credit Requirements for Streamline Refinance: 12 month seasoning with no Mortgage(s) late payments (0x30) reporting.
- Ineligible Borrowers: Non-Occupant co-borrower(s)/co-signer(s) are not permitted with 203(b) with repair escrow unless it is a parent.
- Ineligible Occupancy/Property Types: Sinkhole Homes (even if repaired) and Methamphetamine Homes (even if certified habitable).
- Ineligible Transactions for Truist: Transactions where the FHA Back-to-Work Requirements are utilized (the requirements expired and are no longer eligible in the HUD Handbook).
- Private Roads: Evidence of recorded road maintenance agreement required when private road is not maintained by a homeowners association.

Truist is taking the opportunity to add an LTV/CLTV chart to the FHA Correspondent Lender Guide. There are no changes to LTV/TLTV limits.

FHA and VA

Truist is revising the overlay for Maximum Number of Financed Properties to align closer to other Truist product offerings:

- Maximum number of financed properties for primary residence transactions is unlimited, maximum number of financed properties for HUD Approved Secondary Residences/non-owner occupied VA IRRRLs is limited to six (6).

Bulletin Details, continued

VA

Truist is removing the following restrictions on Jumbo loans and the Correspondent lenders must follow the VA Lender Handbook:

- Foreclosures, Deeds in Lieu of Foreclosure, and Short Sales: No Foreclosure, Deeds in Lieu of Foreclosure in the last three (3) years allowed on Jumbo Purchase, or Cash Out/Regular Refinance.
- Bankruptcy: No Chapter 7 or 13 bankruptcy in the last three (3) years based on discharge date allowed on Jumbo Purchase, or Cash Out/Regular Refinance.
- Credit Requirements for Jumbo Loans: For loan amounts, less any financed funding fee, of \$766,551 to \$2,000,000, no housing payment can be more than 0x30 days late in the past 12 months.

Truist is removing the following overlays applicable to Conforming and Jumbo loans. Correspondent lenders must follow the VA Lender Handbook:

- Collection Accounts: Truist requires that individual or multiple collection accounts that have a singular or cumulative balance greater than \$2000 must meet one of the following requirements:
 - Be paid in full using an acceptable source of funds;
 - Have documented payment arrangements with the creditor(s) and include the payment in the borrower's debt-to-income ratio;
 - A satisfactory letter of explanation and appropriate supporting documentation if account(s) are disputed.
- Ineligible Income: Income derived from an activity that is deemed illegal by federal or state law (for example, income derived from a business that is legal by state law but illegal by federal law) cannot be considered.
- Ineligible Property Types: Sinkhole Homes (even if repaired) and Methamphetamine Homes (even if certified habitable).

The Properties Listed for Sale requirements are being revised to remove the below overlay only:

- The property was listed for sale within the six (6) months preceding the application (i.e., 1003) date, the maximum LTV/TLTV is limited to 85%.

RD

Truist will no longer restrict RD loans to those with only a GUS Accept. Therefore, the following overlays related to GUS are being removed:

- Accept/Eligible responses are required.
- If USDA requires the GUS findings be manually downgraded from Accept/Eligible, the following must be provided:
 - Comment on the transmittal summary (1008) indicating the reason why the findings have been manually downgraded.
- Copy of GUS findings that reflect an Accept/Eligible status.
- Loans submitted to GUS receiving an automated "Refer" or "Refer with Caution" are ineligible.

Bulletin Details, continued

RD, continued

Truist will no longer require additional certifications on RD loans. Therefore, the following overlays are being removed:

- Qualified Mortgage (QM), Higher-Priced (HPML) and High Cost (HCL) Mortgage Loan Certification or comparable form that validates QM status, HPML and HCL.
- High cost loans are ineligible.
- The following are required:
 - Points and Fees Worksheet or comparable form
 - Ability to Repay Worksheet or comparable form or,
 - Income calculation for each borrower on either the Transmittal Summary or on a separate form; AND
 - Income and debt amounts must match on the Transmittal Summary, final application and final AUS submission; AND
 - Total debt-to-income ratio on the Transmittal Summary and final AUS submission must match.

Truist is removing the following overlays and Correspondent lenders are responsible for following HB-1-3555 and final GUS submission requirements:

- Credit Report: The following documents will be required at the time of delivery to validate the borrower qualified for the initial loan.
 - Initial credit report and GUS findings, at the time of application, with an acceptable response of Accept/Approve Eligible.
 - The final credit report (if another was pulled for loan file decision) and GUS findings with an acceptable response of Accept/Approve Eligible.
- Secondary Financing: Only Truist approved affordable Down Payment Assistance Programs can be used.
- Ineligible Properties: Geodomes, Earth Homes, Quonset Huts and Properties in a mudslide zone are ineligible.
- Credit Inquiries: Written explanation for inquiries within the last 90 days, regardless of GUS findings.
- Additional property insurance requirements for PUD.
- Additional property flipping requirements. All property flipping requirements have been removed.
- Wet signature requirements for letters of explanation and verifications.
- 0x30 12-month mortgage history requirement for Streamlined-Assist.

The following are no longer considered overlays and Truist aligns with RD HB-1-3555, Chapter 12:

- Properties subject to Property Assessed Clean Energy (PACE) Obligations are ineligible.
- HO-6 requirements for Condominiums

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

Revised Materials

Click [FHA 203\(b\) Loan Standard](#), [Veterans Administration Loan Standard](#), [Rural Development Loan Standard](#) and [Government Overlay Matrix](#) to review the revised product materials.

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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