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Agency Condominium, Property Insurance, Income, and Gifts of Equity Requirements Revisions

Truist Bank (Truist) revises Agency requirements as a result of recently announced Fannie Mae and Freddie Mac updates. With these updates we:

- revise non-AUS, Desktop Underwriter® (DU®), and Loan Product Advisor® (LPASM) condominium project review requirements by:
 - expanding project review waiver eligibility under Waiver of Project Review (Fannie Mae) and Exempt from Review (Freddie Mac) requirements
 - retiring the requirement for a Fannie Mae Property Eligibility Review Service (PERS) approval or an “Approved by Fannie Mae” status in Fannie Mae’s Condo Project Manager™ (CPM™) for new or newly converted projects with attached units in Florida
 - retiring the investment property concentration limit of 50% in established condominium projects reviewed as a part of the Full Review process for investment property transactions
- announce various updates to non-AUS, DU, and LPA property insurance requirements for 1-4 unit properties and project developments
- revise non-AUS and DU income requirements by introducing new requirements, incorporating requirements changes, and/or clarifications to improve clarity and consistency (**Note:** *All income subtopics were reviewed as a part of the update process for non-AUS and DU requirements.*)
- add requirements for LPA purchase transaction mortgages when proceeds of a gift of equity exceed the amount needed for closing

We take the opportunity to provide advance notice of the following additional condominium project review requirements updates that will be implemented at a later date:

- retirement of the Limited Review (Fannie Mae) and Streamlined Review (Freddie Mac) processes
- enhanced reserve study requirements
- increased replacement reserve requirements

We also refresh various Agency condominium and property insurance requirements to promote clarity and to more closely align with Freddie Mac’s wording and/or presentation of guidance (*requirements intent remain the same*).

Effective Dates

- All condominium project review and property insurance requirements updates are effective for new and existing locks on or after May 29, 2026. (**Note:** *See Bulletin Details for information regarding the additional condominium requirements updates that will be effective on August 03, 2026, and January 04, 2027.*)
- All income requirements updates are effective for new locks for loans with applications dated on or after June 01, 2026.

Effective Dates, continued

- The gifts of equity related updates are effective for new locks for loans with applications dated on or after June 03, 2026.

Background Information

Fannie Mae Lender Letter 2026-03 and Freddie Mac Bulletins 2026-C and 2026-6 announced condominium project review and property insurance requirements updates that introduced targeted requirements changes to provide greater flexibility and operational simplicity. Fannie Mae SEL-2026-02 announced updates to income requirements to improve clarity and consistency. Freddie Mac Bulletin 2026-3 announced the addition of requirements regarding purchase transaction mortgages and gifts of equity. In response to these publications, we reviewed impacted standard documents and identified the opportunity to implement revisions to more closely 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

Condominium Project Review Requirements

Highlights of the Agency non-AUS, DU, and LPA condominium project review requirements updates are outlined in the table below.

Topic	Update
Expansion of Waiver of Project Review and Exempt from Project Review Requirements	<p>Project review waiver eligibility under Waiver of Project Review (Fannie Mae) and Exempt from Review (Freddie Mac) requirements has been expanded to include new and established projects with 10 or fewer units (<i>previously, these project waiver review options only allowed for 2-4 unit projects when the loan was not a Fannie Mae to Fannie Mae limited cash-out refinance or Freddie Mac owned “no cash-out” refinance transaction</i>). For projects consisting of 5-10-units, the project must not be part of a master association or larger development, with the following exception:</p> <ul style="list-style-type: none"> Projects consisting of 5-10 units that are part of a master association are only eligible under Waiver of Project Review or Exempt from Review requirements if the loan meets the requirements for a Fannie Mae to Fannie Mae limited cash-out refinance transaction (Waiver of Review) or a Freddie Mac Owned “No Cash-Out” Refinance condominium unit mortgage transaction (Exempt from Review). <p>Notes:</p> <ul style="list-style-type: none"> All other existing Waiver of Project Review and Exempt from Review requirements continue to apply when a project review is waived, including the requirement for confirmation that the condominium project has no unaddressed critical repairs outstanding and has no evacuation orders when the loan is a Fannie Mae to Fannie Mae limited cash-out refinance or Freddie Mac Owned “No Cash-Out” Refinance transaction. The above referenced requirement regarding critical repairs and evacuation orders when the loan is a Fannie Mae to Fannie Mae limited cash-out refinance or Freddie Mac Owned “No Cash-Out” Refinance transaction does not apply for the following (except as noted below): <ul style="list-style-type: none"> a 2- to 4-unit condominium project, regardless of whether the project is or is not a part of a master association a 5- to 10-unit condominium project that is not a part of a master association <p>Exception: If during the normal review process under the Waiver of Project Review and Exempt from Review options, documentation received suggests critical repairs and/or evacuation orders may exist, then for the projects referenced above, additional due diligence is required to comply with Fannie Mae and Freddie Mac’s general property eligibility requirements, which require the property to be safe, sound, and structurally secure.</p>

Bulletin Details, continued

Condominium Project Review Requirements, continued

Topic	Update
Expansion of Waiver of Project Review and Exempt from Project Review Requirements, (continued)	<p>Notes, continued:</p> <ul style="list-style-type: none"> The above referenced requirement regarding critical repairs and evacuation orders when the loan is a Fannie Mae to Fannie Mae limited cash-out refinance or Freddie Mac Owned “No Cash-Out” Refinance transaction always applies for the following: <ul style="list-style-type: none"> a 5- to 10-unit condominium project that is a part of a master association an 11 or more unit condominium project, regardless of whether the project is or is not a part of a master association <p>We also revised the following forms to support this eligibility expansion: <i>Certification of Project Compliance: Condominium/PUD Lender Warranties – Agency and Non-Agency Loan Products</i> (COR 0212a) and <i>Condominium Submission Form</i> (COR 0215).</p> <p>DU messages related to Waiver of Project Review will be updated in a future release to support this change. Effective May 4, 2026, Freddie Mac’s Condo Project Advisor® (CPASM) was updated to support this change.</p>
Review Requirements for New or Newly Converted Condo Projects with Attached Units in Florida	<p>The requirement that a new or newly converted project with attached units in Florida must be submitted to Fannie Mae’s PERS or receive an “Approved by Fannie Mae” status designation in Fannie Mae’s CPM has been retired. These projects may now be reviewed under the lender-delegated Full Review process for new condominium projects.</p> <p>Additionally, for established condominium projects with attached units in Florida, Freddie Mac’s loan-to-value (LTV) limits for projects with a “Certified by Lender” status designation in CPM have also been retired.</p> <p>Fannie Mae’s CPM has been updated to support this change; however, DU messages will be updated in a future release. Effective May 4, 2026, Freddie Mac’s CPA was updated to support this change.</p>
Retirement of Investor Concentration Limits for Established Projects	<p>The 50% investor concentration limit requirement for investment property transactions in established condominium projects, reviewed as part of the Full Review option, has been retired.</p> <p>Note: <i>The presale requirement that at least 50% of the total units in the project or subject legal phase must have been conveyed or be under contract for sale to primary residence or second home purchasers continues to apply for new condominium projects.</i></p> <p>Fannie Mae’s CPM has been updated to support this change; however, DU messages will be updated in a future release. Effective May 4, 2026, Freddie Mac’s CPA was updated to support this change.</p>
Standards Improvements Updates	<p>In support of our standards improvement initiative, we:</p> <ul style="list-style-type: none"> refreshed LPA condominium requirements in subtopics impacted by the updates outlined in this table to more closely align with Freddie Mac’s wording and/or presentation of requirements clarified the process for determining if a project has an “Unavailable Status” or is a Fannie Mae Approved project added a “Freddie Mac Condo Project Advisor “Not Eligible” Status” section to the “General Information on Condominium Review” subtopic <p>Note: <i>For these additional updates, requirements intent remained the same.</i></p>

Bulletin Details, continued

Property Insurance Requirements

Highlights of the Agency non-AUS, DU, and LPA property insurance requirements updates are outlined in the table below.

Topic	Update
Property Insurance Requirements for 1-4 Unit Properties	<ul style="list-style-type: none"> • Previously published requirements related to documenting the replacement cost value (RCV) to verify the property insurance policy coverage amount were retired in their entirety. • The requirement to insure roofs on a replacement cost basis was also retired. • Revised requirements for coverage sufficiency are as follows: <ul style="list-style-type: none"> • The property insurance policy must provide coverage on a replacement cost basis, with the exception of roofs; property insurance policies that provide such terms of coverage will be deemed to provide sufficient coverage. <p>Notes:</p> <ul style="list-style-type: none"> • <i>Roofs must be insured, but do not have to be insured on a replacement cost basis.</i> • <i>Fannie Mae and Freddie Mac recognize that some insurers may issue policies that provide coverage on an actual cash value basis for personal property and structures that are not buildings. In the event that the lender sees such terms in a property insurance policy covering a 1- to 4-unit property, this is acceptable.</i> <ul style="list-style-type: none"> • Additional specificity regarding peril and deductible requirements were also added to LPA requirements to reflect the following: <ul style="list-style-type: none"> • Named storms designated by the U.S. National Weather Service or the National Oceanic and Atmospheric Administration by a name or number are a required component of windstorm coverage. • The deductible(s) for all required perils may not exceed 5% of the limit maintained for dwelling coverage. • Property Insurance Overlay Removal for 1-4 Unit Properties: With the revisions referenced above related to documenting the RCV to verify the property insurance coverage amount, the following Truist overlay was removed: <ul style="list-style-type: none"> • When determining the unpaid principal balance of the mortgage, the <u>combined</u> unpaid principal balance of the first and all subordinate mortgages must be considered. <p>Note: <i>This is an existing Truist overlay for flood insurance that continues to apply.</i></p>
Master Property Insurance Requirements for Project Developments	<ul style="list-style-type: none"> • The list of sources that can be used to document coverage sufficiency (that is, to evidence 100% RCV coverage) has been updated to also permit guaranteed replacement cost or extended replacement cost, or their equivalents. • The requirement to insure roofs on a replacement cost basis has been retired. • The master property insurance policy must now provide for coverage on a replacement cost basis, excluding roofs. <p>Notes:</p> <ul style="list-style-type: none"> • <i>Roofs must be insured, but do not have to be insured on a replacement cost basis.</i> • <i>Fannie Mae and Freddie Mac recognize that some insurers may issue policies that provide coverage on an actual cash value basis for personal property and certain property elements. In the event that the lender sees such terms in a master property insurance policy covering a project development, this is acceptable.</i> <ul style="list-style-type: none"> • The inflation guard coverage requirement has been retired in its entirety. • If the master property insurance policy includes a per unit deductible, the maximum allowable per unit deductible for all required property insurance perils covered by a master property insurance policy is now \$50,000 per unit. Additionally, when the master property insurance policy has a per unit deductible, the borrower must have a unit owner's property insurance policy (i.e., HO-6 policy).

Bulletin Details, continued

Property Insurance Requirements, continued

Topic	Update
Master Property Insurance Requirements for Project Developments, (continued)	<ul style="list-style-type: none"> We added additional specificity to LPA requirements regarding per occurrence deductible requirements and equipment breakdown requirements. The updated requirements include the following: <ul style="list-style-type: none"> The master property insurance policy deductible(s) for all required property insurance perils may not exceed 5% of the limit maintained for building(s) coverage per occurrence. PUDs, ground lease communities, and condominium HOAs may purchase a deductible buyback insurance policy to meet deductible requirements, provided the policy meets all other applicable property insurance requirements. Steam Boiler and Machinery or Equipment Breakdown: The requirement that a PUD or condominium HOA must maintain a higher insurance limit if private mortgage investors require a higher limit has been retired.
Individual (i.e., HO-6) Property Insurance Requirements for a Unit in a Project Development	<ul style="list-style-type: none"> The borrower must have a unit owners (i.e., HO-6) property insurance policy when: <ul style="list-style-type: none"> the master policy does not cover all or any portion of the interior of the unit or the improvements to the unit; or the master policy includes a per unit deductible. The unit owner's (i.e., HO-6) property insurance policy must provide coverage on a replacement cost basis. The minimum amount of coverage required for a unit owner's (i.e., HO-6) property insurance policy must be at least equal to the greater of: <ul style="list-style-type: none"> an amount sufficient to cover any portion of the interior of the unit or improvements to the unit not covered by the master property policy in order to restore the unit to its condition prior to a loss event; or the amount of the per unit deductible if the master property insurance policy has a per unit deductible. If the master property insurance policy includes a per unit deductible, then the unit owner's (i.e., HO-6) property insurance policy must include coverage for all applicable perils to which the per unit deductible applies. The maximum allowable deductible for a unit owner's (i.e., HO-6) property insurance policy for all required property insurance perils is now the greater of: <ul style="list-style-type: none"> 5% of the property insurance coverage amount; or \$2,500. Additional specificity regarding peril requirements were also added to LPA requirements to reflect the following: <ul style="list-style-type: none"> Named storms designated by the U.S. National Weather Service or the National Oceanic and Atmospheric Administration by a name or number are a required component of windstorm coverage.
Standards Improvements Updates	<p>In support of our standards improvement initiative, LPA property insurance requirements in subtopics impacted by the updates outlined in this table were also refreshed to more closely align with Freddie Mac's wording and/or presentation of requirements.</p> <p><i>Note: For these additional updates, requirements intent remained the same.</i></p>

Income Requirements

We revised Agency non-AUS and DU income requirements in response to the recent restructuring and updating of *Chapter B3-3, Income Assessment* of Fannie Mae's *Selling Guide*. All non-AUS and DU income requirements are now presented in a clearer, more modular format that includes:

- general income principles and income-type-specific requirements
- standard tables within the income subtopics that consolidate documentation, income history, income continuance, and determination of qualifying income requirements
- consistent terminology and level of detail across income sources to reduce interpretation challenges

Bulletin Details, continued

Income Requirements, continued

These updates introduce new requirements, requirements changes, and/or requirements clarifications to improve clarity and consistency. Given the extent of these revisions, a [Summary of Updates](#) document is available that highlights the updates and/or clarifications made to each income subtopic. If not specified, the updates outlined in the *Summary of Updates* document apply for both non-AUS and DU transactions. Review today's revised product materials for a detailed overview of all income updates.

Notes:

- *During the evening of June 26, 2026, DU income messages will be updated to support the income requirements updates referenced above, including the removal of specific second job messages. With the DU income messaging updates, income documentation requirements will now be based on each employment and income type, not on whether the employment is the borrower's primary or secondary employment. Until revised DU messaging is implemented, apply the revised requirements as outlined in today's revised product materials.*
- *All previously published Truist income related overlays continue to apply. No new Truist income related overlays were implemented as a result of these non-AUS and DU income related updates.*

Purchase Transaction Mortgages and Gifts of Equity

For Agency LPA purchase transactions mortgages, we added the following requirements to address when proceeds of a gift of equity exceed the amount needed for closing:

- A gift of equity exceeding the amount needed for closing may only be:
 - used to pay off or pay down the borrower's debt at closing when paid by the property seller to the creditor, and/or
 - applied as a principal curtailment.

Additionally, we refreshed the "Gift Funds" and "Gifts of Equity" subtopics. We removed gifts of equity requirements from the "Gift Funds" subtopic and relocated those requirements to the "Gifts of Equity" subtopic to distinguish the eligibility and documentation requirements for each source of funds used to qualify the borrower. With these additional updates, requirements intent remained the same.

Advance Notice of Upcoming Condominium Project Review Requirements Updates

To promote awareness, the table below outlines additional Agency condominium project review requirements updates that will be implemented later this year and the beginning of next year for Agency non-AUS, DU, and LPA transactions. The effective dates of these updates and Truist's targeted publication dates of revised product materials are also provided in the table below.

Bulletin Details, continued

Advance Notice of Upcoming Condominium Project Review Requirements Updates, continued

Important Notes:

- *Currently published requirements regarding the topics outlined in the table below remain in effect until the below updates are effective.*
- *If lenders have an unexpired project review completed prior to the effective dates listed in the table below, lenders must still confirm that the project complies with the revised requirements for applications dated on or after the effective dates of such requirements.*

Topic	Update	Effective Date	Truist's Target Publication Date of Revised Product Materials
Retirement of the Limited Review and Streamlined Review Processes	<p>The Limited Review (Fannie Mae) and Streamlined Review (Freddie Mac) options are being retired. When this change is implemented, projects previously eligible for a Limited/Streamlined Review must be reviewed using the lender-delegated Full Review process for established projects (Fannie Mae and Freddie Mac), Freddie Mac's Reciprocal Review process, or, if eligible, they may also be reviewed under the Waiver of Project Review (Fannie Mae) or Exempt from Review (Freddie Mac) options.</p> <p><i>Note: This update will also effectively retire the remaining geographic restrictions that apply to the state of Florida. Geographic restrictions remain in effect until the Limited/Streamlined Review processes are retired on August 03, 2026.</i></p>	Effective for new locks for loans with applications dated on or after August 03, 2026	<p>July 31, 2026</p> <p><i>Note: Truist's effective date of this update will align with the effective date shown in this table.</i></p>
Enhanced Reserve Study Requirements	<p>Requirements will be updated to clarify when lenders obtain a reserve study to demonstrate a project has sufficient reserves (<i>when it is not budgeting for replacement reserves that meet Fannie Mae and Freddie Mac requirements</i>), the following requirements will apply:</p> <ul style="list-style-type: none"> • the project's budget must include the highest recommended reserve allocation amount in the reserve study, and • the highest recommended reserve allocation amount must not be based on a baseline funding method, where the reserve cash balance approaches but never falls below zero. 	Effective for new locks for loans with applications dated on or after August 03, 2026	<p>July 31, 2026</p> <p><i>Note: Truist's effective date of this update will align with the effective date shown in this table.</i></p>
Increased Replacement Reserve Requirements	<p>The reserve allocation requirement for capital expenditures and deferred maintenance is being increased from a minimum of 10% to a minimum of 15% of the annual budgeted assessment income. All other requirements related to replacement reserves and the review of budget adequacy will remain the same.</p>	Effective for new locks for loans with applications dated on or after January 04, 2027, when using the Full Review process	<p>December 18, 2026</p> <p><i>Note: Truist's effective date of this update will align with the effective date shown in this table.</i></p>

Before and After Matrices / Summary of Updates

- [Click here](#) to see the before and after matrix that provides a detailed overview of all Agency non-AUS, DU, and LPA condominium project review and property insurance related standards revisions.

Bulletin Details, continued

Before and After Matrices / Summary of Updates, continued

- [Click here](#) to see the before and after matrix that provides a detailed overview of all Agency LPA gifts of equity related standards revisions.

Note: *In lieu of a before and after matrix, see the [Summary of Updates](#) document, previously referenced in the **Bulletin Details / Income Requirements** section of this product release bulletin, for highlights the Agency non-AUS and DU income related standards revisions. Review today’s revised product materials for a detailed overview of all Agency non-AUS and DU income related standards revisions.*

Revised Materials

Click [Condominium and PUD Approval Requirements Standard](#), [Agency Loan Standard](#), [CorrAdvantage Standard](#), [Agency Overlay Matrix](#), [Certification of Project Compliance: Condominium/PUD Lender Warranties – Agency and Non-Agency Loan Products \(COR 0212a\)](#), and [Condominium Submission Form \(COR 0215\)](#) 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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