

Agency Guideline Revisions

Note: Truist specific overlays are underlined.

Topic	Impacted Document	Impacted Products	Current Guidelines	Revised Guidelines Effective for NEW Loan Applications ON OR AFTER February 12, 2021																																		
Assets as Qualifying Income	Correspondent Section 2.01 Agency Loan Programs-Guideline	- Standard Agency (non-AUS & DU) - Agency Plus (DU) - HomeReady® Mortgage (non-AUS & DU) - Texas Section 50 (a)(6) Mortgages (non-AUS & DU)	Income Assets as Qualifying Income / Assets as a Basis for Repayment of Obligations (LPA Terminology) Non-AUS Employment-Related Assets as Qualifying Income - All of the following loan parameters must be met in order for employment-related assets to be used as qualifying income: <table><tr><th>Parameter</th><th>Requirement</th></tr><tr><td>Maximum LTV/TLTV/HTLTV</td><td> 70% 80% if the owner of the asset(s) being used to qualify is at least 62 years old at the time of closing. If the asset(s) is jointly owned, all owners must be a borrower on the loan and the borrower using the income to qualify must be at least 62 years old at the time of closing. </td></tr><tr><td>Minimum Credit Score</td><td>Higher of <u>640</u> or minimum credit score required per the transaction type</td></tr><tr><td>Loan Purpose</td><td>Purchase and limited cash-out refinance only</td></tr><tr><td>Occupancy</td><td>Primary residence and second home only</td></tr><tr><td>Number of Units</td><td>As permitted by occupancy type</td></tr><tr><td>Income Calculation/Payout Stream</td><td>Divide “Net Documented Assets” by the amortization term of the mortgage loan (in months)</td></tr></table> - Assets used for the calculation of the monthly income stream must be owned individually by the borrower, or the co-owner of the assets must be a co-borrower of the mortgage loan. - The documentation must be in compliance with the allowable age of asset documents guidelines. See the “General Documentation Requirements – Assets” subtopic in the “Cash Requirements” topic for additional information. - Assets must be liquid and available to the borrower and must be sourced as one of the following: - A non-self-employed severance package or non-self-employed lump sum retirement package (a lump sum distribution) — these funds must be documented with a distribution letter from the employer (Form 1099-R) and deposited to a verified asset account. - For 401(k) or IRA, SEP, Keogh retirement accounts – the borrower must have unrestricted access to the funds in the accounts and can only use the accounts if distribution is not already set up or the distribution amount is not enough to qualify. The account and its asset composition must be documented with the most recent monthly, quarterly, or annual statement. - If a penalty would apply to a distribution of funds from the account made at the time of calculation, then the amount of such penalty applicable to a complete distribution from the account (after costs for the transaction) must be subtracted to determine the income stream from these assets. - If the employment-related assets are in the form of stocks, bonds, and mutual funds, 70% of the value (remaining after costs for the transaction and consideration of any penalty) must be used to determine the income stream to account for the volatile nature of these assets. - A borrower shall only be considered to have unrestricted access to a 401(k) or IRA, SEP, Keogh retirement account if the borrower has, as of the time of calculation, the unqualified and unlimited	Parameter	Requirement	Maximum LTV/TLTV/HTLTV	70% 80% if the owner of the asset(s) being used to qualify is at least 62 years old at the time of closing. 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			right to request a distribution of all funds in the account (regardless of any possible tax withholding or applicable penalty applied to such distribution). “Net documented assets” are equal to the sum of eligible assets minus: a. the amount of the penalty that would apply if the account was completely distributed at the time of calculation, b. the amount of funds used for down payment, closing costs, and required reserves; c. 30% of the remaining value of any stocks, bonds, or mutual funds assets (after the calculation in (b)). - Ineligible assets are non-employment related assets (for example, stock options, non-vested restricted stock, lawsuits, lottery winnings, sale of real estate, inheritance, and divorce proceeds). Checking and savings accounts are generally not eligible as employment-related assets, unless the source of the balance in a checking or savings account was from an eligible employment-related asset (for example, a severance package or lump sum retirement distribution). Example: Calculation of Net Documented Assets <table><tr><td>IRA (made up of stocks and mutual funds)</td><td>\$ 500,000</td></tr><tr><td>Minus 10% of \$500,000 (\$500,000 x .10)</td><td>(-) \$50,000</td></tr><tr><td>(Assumes a 10% penalty for early distribution, which must be levied against any cash being withdrawn for closing the transaction as well as the remaining funds used to calculate the income stream.)</td><td></td></tr><tr><td>Total eligible documented assets</td><td>(=) \$ 450,000</td></tr><tr><td>Minus funds required for closing</td><td>(-) \$100,000</td></tr><tr><td>(down payment, closing costs, reserves)</td><td></td></tr><tr><td>(a) Subtotal</td><td>(=) \$ 350,000</td></tr><tr><td>Minus 30% of \$350,000 (\$350,000 x .30)</td><td>(-) \$105,000</td></tr><tr><td>(b) Net Documented Assets</td><td>(=) \$245,000</td></tr><tr><td>Monthly income calculation</td><td>\$680.56/month</td></tr><tr><td>(\$245,000/360 (or applicable term of loan in months))</td><td></td></tr><tr><td>See Income Calculation/Payout Stream in table above.</td><td></td></tr></table> Note: If the mortgage loan does not meet the above parameters, employment-related assets may still be eligible under other standard income guidelines, such as “Interest and Dividends Income,” or “Retirement, Government Annuity, and Pension Income.” Fannie Mae DU <i>Note: Below is an EXCERPT only of the guidelines from the above referenced section.</i> Employment-Related Assets as Qualifying Income - Follow DU requirements, which are the same as non-AUS guidelines, except as follows: - A minimum 640 score is required Special Feature Code Requirement - Use SFC H31 to identify a loan using employment-related assets as qualifying income.	IRA (made up of stocks and mutual funds)	\$ 500,000	Minus 10% of \$500,000 (\$500,000 x .10)	(-) \$50,000	(Assumes a 10% penalty for early distribution, which must be levied against any cash being withdrawn for closing the transaction as well as the remaining funds used to calculate the income stream.)		Total eligible documented assets	(=) \$ 450,000	Minus funds required for closing	(-) \$100,000	(down payment, closing costs, reserves)		(a) Subtotal	(=) \$ 350,000	Minus 30% of \$350,000 (\$350,000 x .30)	(-) \$105,000	(b) Net Documented Assets	(=) \$245,000	Monthly income calculation	\$680.56/month	(\$245,000/360 (or applicable term of loan in months))		See Income Calculation/Payout Stream in table above.			already set up or the distribution amount is not enough to qualify. The account and its asset composition must be documented with the most recent monthly, quarterly, or annual statement.	
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			exempt portion of income from these sources may be increased to reflect the tax savings, as described in the “General Income Information” subtopic previously presented in this topic. If the income from these sources is determined to be nonrecurring, the income must be deducted from the borrower’s cash flow. References: - See the “Assets as Qualifying Income / Assets as a Basis for Repayment of Obligations (LPA Terminology)” subtopic previously presented in this topic for additional information. - See the “Social Security Income” subtopic subsequently presented in this topic for additional information. Fannie Mae Follow DU requirements, which are the same as non-AUS guidelines, except as follows: - If a borrower’s retirement, annuity, or pension income is validated by the DU validation service, DU will issue a message indicating the required documentation. This documentation may differ from the requirements described above. See “DU Validation Service” in the “Fannie Mae DU Loans” subtopic subsequently presented in the “Underwriting the Borrower” topic for additional guidance.	~~addition:~~ ~~the borrower must have unrestricted access, without penalty, to the accounts, and~~ ~~if the assets are in the form of stocks, bonds, or mutual funds, 70% of the value (remaining after any applicable costs for the subject transaction) must be used to determine the number of distributions remaining to account for the volatile nature of these assets.~~ ~~Documentation of asset ownership must be in compliance with the Allowable Age of Credit Documents guidelines.~~ Note: the borrower must have unrestricted access without penalty. - The nontaxable portion of such recurring income must be added to the borrower’s cash flow. The tax-exempt portion of income from these sources may be increased to reflect the tax savings, as described in the “General Income Information” subtopic previously presented in this topic. If the income from these sources is determined to be nonrecurring, the income must be deducted from the borrower’s cash flow. References: - See the “Assets as Qualifying Income / Assets as a Basis for Repayment of Obligations (LPA Terminology)” subtopic previously presented in this topic for additional information. - See the “Social Security Income” subtopic subsequently presented in this topic for additional information. Fannie Mae Follow DU requirements, which are the same as non-AUS guidelines, except as follows: - If a borrower’s retirement, annuity, or pension income is validated by the DU validation service, DU will issue a message indicating the required documentation. This documentation may differ from the requirements described above. See “DU Validation Service” in the “Fannie Mae DU Loans” subtopic subsequently presented in the “Underwriting the Borrower” topic for additional guidance.