

Product Release

Information for Correspondent Lenders of SunTrust now Truist Bank
April 17, 2020 • COR20-012



Alert

Update

Reminder

Clarification

Training
Information

Preview

Agency LPA Income Guideline Revisions

SunTrust now Truist Bank (Truist) revises Agency Loan Product Advisor® (LPA®) income guidelines to align with recently announced Freddie Mac updates.

Effective Dates

The revised LPA income guidelines are effective for new loan applications taken on or after April 17, 2020.

- **Purchase Deadline:** In order to meet Freddie Mac's delivery requirements, we are imposing a purchase cut-off date for LPA loans underwritten to **current** income guidelines. Freddie Mac LPA loan applications taken prior to April 17, 2020 and underwritten to current income guidelines will be honored; however, they must be purchased by SunTrust now Truist **on or before** May 15, 2020.

Background Information

Freddie Mac Bulletin 2019-20 announced updates impacting LPA income guideline requirements. Freddie Mac recently notified SunTrust now Truist that they are **removing** the update (*previously announced in Bulletin 2019-20*) that stated for base hourly earnings to be considered non-fluctuating for the purpose of income calculation, the borrower must have a documented history of working the same number of hours with the same employer for a minimum of six months. All other income guideline updates previously announced in Freddie Mac Bulletin 2019-20 still apply. In response to this publication and additional notification from Freddie Mac, we reviewed impacted guidelines and identified the opportunity to implement revisions to align with Freddie Mac requirements.

Bulletin Details

Agency LPA Income Requirements

We align with Freddie Mac and revise requirements for employed income analysis and calculation. The revised requirements focus on base non-fluctuating and fluctuating hourly employment earnings and additional fluctuating employment earnings (e.g., commission, bonus, overtime, and tip income). With these updates we:

- Revise employment history requirements to specify that when the borrower's income is derived from fluctuating hourly employment earnings, under no circumstances may the employment history be less than 12 months
- Clarify that "fluctuating hourly employment earnings" are considered to be wages that are based on an hourly rate of pay and where the number of hours fluctuate each pay period
- Align income calculation requirements for all fluctuating employment income types (hourly base, overtime, bonus, commission, and tips); the calculation is based on whether the income trend is determined to be consistent, increasing, or declining
- Add requirements for additional analysis when income fluctuation between the prior year(s) and year-to-date exceeds 10%; as part of this change, we remove the requirement for additional analysis when earnings show "a high degree of volatility or an irregular pattern"

We also align with Freddie Mac and clarify guidelines related to employment gaps. While the borrower is not required to provide a letter of explanation of recent employment gaps, the lender remains responsible for establishing that the borrower's employment is stable, which may require analysis of recent employment gaps.

Before and After Matrix

[Click here](#) to see the before and after matrix that provides a detailed overview of all LPA income guideline updates.

Revised Material

Click [Agency Loan Programs](#) to review the revised product material.

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Former Guidelines

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

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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