

Alert

Update

Reminder

Clarification

Training
Information

Preview

Home Possible Mortgages and Other Agency Guideline Revisions

Truist Bank (Truist) revises Agency Loan Product Advisor[®] (LPA[®]) guidelines to align with recently announced Freddie Mac updates. With these LPA updates we:

- update Home Possible[®] mortgage guidelines related to sweat equity and cash on hand
- revise condominium project requirements related to the ineligibility of condominium hotels and similar types of transient housing
- clarify requirements for properties with solar panels
- update power of attorney requirements, including some that align with previously announced COVID-19 related flexibilities
- streamline the description of requirements that apply for properties identified with a Q6 quality rating or the C5 or C6 condition ratings

We also revise our Home Possible product description to reflect a reduced LTV for certain 2-4 unit transactions to acknowledge Freddie Mac's recent reduction. However, temporary COVID-19 related restrictions (previously announced in [COR20-015](#)) for these 2-4 unit transactions continue to apply until further notice.

Effective Dates

- The following updates are effective for new loan applications on or after January 15, 2021:
 - Home Possible sweat equity guidelines
 - condominium project requirements related to the ineligibility of condominium hotels and similar types of transient housing
 - requirements for properties with solar panels
- All other updates are effective immediately for existing and new loan applications on or after January 15, 2021.

Background Information

Freddie Mac Bulletins 2020-43, 2020-45, and 2020-48 announced updates impacting various guideline requirements. In response to these publications, we reviewed impacted guidelines and identified the opportunity to implement revisions to align with Freddie Mac requirements.

Bulletin Details

Home Possible Mortgages

For Home Possible mortgages, we:

- reduce the maximum LTV ratio from 95% to 85% for the following:
 - fixed-rate mortgages secured by 2- to 4-unit properties (*general loan limits only*)
 - 5/5 CMT and 7/6-Month SOFR ARMs secured by 2-unit properties (*general loan limits only*)

Reminder: Due to temporary COVID-19 related restrictions (previously announced in [COR20-015](#)), Home Possible 2-4 unit transactions are currently not permitted.

- remove the maximum LTV/TLTV ratios chart from the sweat equity guidelines and instead refer to the "Home Possible LTV/TLTV/HTLTV Ratio Requirements" subtopic for guidance regarding maximum LTV/TLTV ratio requirements; these ratios also apply to Home Possible mortgages that use sweat equity as an eligible source of funds

Bulletin Details, continued

Home Possible Mortgages, continued

- revise guidelines to state that the use of Freddie Mac Exhibit 23, *Monthly Budget and Residual Analysis Form*, is now optional when borrower personal funds include cash on hand; rather, the mortgage file must contain documentation confirming that the total monthly residual income available for savings is a positive number

Note: While the use of Freddie Mac's *Monthly Budget and Residual Analysis Form* is optional, it reflects information that may be necessary to confirm the total monthly residual income available for savings is a positive number.

Condominium Guideline Updates

We update LPA requirements related to the ineligibility of condominium hotels and similar types of transient housing to:

- specify that a condominium project is considered to be a type of transient housing if the condominium project, the homeowners association (HOA) and/or the HOA's property management company or agent facilitates, receives revenue from, or pays expenses or taxes for hotel type services or the renting of condominium units on a transient basis
- add more specificity about projects with certain characteristics that would be considered condominium hotels or transient housing
- emphasize that the documentation used to support lender's analysis that a project is not a condominium hotel or similar type of transient housing be retained and must be provided upon request

Properties with Solar Panels

For properties with solar panels, we clarify LPA requirements when the solar panels are leased, financed or owned. With today's updates we:

- add a table that provides guidance on:
 - instances when a subordination agreement is not required (when a UCC-1 Financing Statement or lease agreement is present)
 - appraisal requirements when solar panels are present
 - impacts to the TLTV and debt payment-to-income ratios
- specify that title exceptions for liens and leases, including UCC-1 Financing Statements, for solar panels are acceptable, provided the exception is for a lien or lease that lists only the solar panels as the collateral

Powers of Attorney

We update LPA power of attorney (POA) guidelines to provide more flexibility when the borrower is experiencing an emergency, preventing him or her from executing POA documents in person. Today's updates include revisions that align with some of the previously announced COVID-19 related flexibilities, including:

- an employee of the title insurer or settlement agent may be the attorney-in-fact
- the lender or settlement agent must discuss the POA with the borrower prior to closing the mortgage (**Note:** *This discussion must be memorialized in an acknowledgment by the borrower of his or her understanding of the terms of the mortgage. The acknowledgment must be in writing [which is a new permanent overlay].*)
- evidence of the emergency qualifying the use of a POA must be included in the mortgage file

We also revise the timeframe for the delivery of the recorded POA to the Document Custodian (previously announced in [COR20-061](#)) from within five business days to within 30 days of receipt from the recorder's office.

Note: The following overlays remain: LPA cash-out refinance transactions, the use of electronic signatures on notarized documents (inclusive of remote and online notarizations), and the use of a POA to facilitate a closing via a recorded, interactive session conducted via the internet are not permitted.

Product Release

Information for Correspondent Lenders of Truist Bank
January 15, 2021 • COR21-004



Bulletin Details, continued

Property Condition and Quality of Construction

For LPA loans, we streamline the description of the requirements that apply when a property must be identified with a Q6 quality rating or the C5 or C6 condition ratings. We also clarify guidelines to state that if a portion of the improvements has deficiencies consistent with a C5 condition rating, the entire property must be rated C5.

Before and After Matrices

- [Click here](#) to see the before and after matrix that provides a detailed overview of the following LPA updates:
 - Home Possible sweat equity guidelines
 - condominium project standards requirements related to the ineligibility of condominium hotels and similar types of transient housing
 - requirements for properties with solar panels
- [Click here](#) to see the before and after matrix that provides a detailed overview of all other LPA guideline updates.

Revised Materials

Click [Appraisal Guidelines](#), [Condominium and PUD Approval Requirements](#), [Agency Loan Programs](#), [Fannie Mae HomeReady®](#) and [Freddie Mac Home Possible® Mortgages](#), and [Correspondent Agency Overlay Matrix](#) to review the revised product materials.

Former Guidelines

See the before and after matrices 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.

This information is for use by mortgage professionals only and should not be distributed to or used by consumers or other third parties. This is not for solicitation of sales. Information is accurate as of date of posting and is subject to change without current product details and lending procedure. Truist Bank does not guarantee or assume liability for any third-party products or services. Truist Bank is an Equal Housing Lender. ©2020 Truist Financial Corporation. SunTrust, Truist, and the BB&T|SunTrust now Truist logo are service marks of Truist Financial Corporation. All rights reserved.