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## Agency LPA Student Debt and Refinance Revisions

Truist Bank (Truist) revises Agency Loan Product Advisor® (LPA<sup>SM</sup>) requirements to align with recently announced Freddie Mac updates. With these updates we:

- revise requirements for qualifying borrowers with student loan debt as follows:
  - clarify that an amount greater than zero must be included in the monthly debt payment-to-income (DTI) ratio for all student loans
  - when the monthly payment amount on the credit report is zero, allow the use of other documentation to determine the monthly payment amount for inclusion in the monthly DTI ratio
  - specify that when documentation other than the credit report is used to verify the current monthly payment amount, the verified payment amount must be greater than zero
  - add new requirements for student loans in income-driven repayment plans where documentation indicates that the borrower must recertify their income and/or that the borrower's payment will increase prior to or on the first mortgage payment due date
- update allowable use of proceeds from a "no cash-out" refinance transaction to specify that the payoff of the existing first mortgage may include a balance deferred under a loss mitigation plan and any costs or fees associated with the release of the first mortgage
- modify requirements for cash-out refinance transactions as follows:
  - when title is held by a limited liability company (LLC) or limited partnership (LP), the transfer of title must be completed on or before the note date
  - reorganize cash-out refinance requirements into subsections

### Effective Dates

- The student loan debt update specific to new requirements for income-driven repayment plans where documentation indicates that the borrower must recertify their income and/or that the borrower's payment will increase prior to or on the first mortgage payment due date is effective for new loan applications on or after November 17, 2023.
- All other updates are effective immediately for existing and new loan applications on or after November 17, 2023.

### Background Information

Freddie Mac Bulletin 2023-18 and 2023-19 announced updates related to student loan debt, allowable use of proceeds from a "no cash-out" refinance transaction, and cash-out refinance transactions. In response to these publications, we reviewed impacted standard documents and identified the need and/or opportunity to implement revisions to align with Freddie Mac requirements.

## Bulletin Details

### Student Loan Debt

We revised requirements for qualifying borrowers with student loan debt as follows:

- clarified that an amount greater than zero must be included in the monthly DTI ratio for all student loans, including loans in income-driven repayment plans
- when the monthly payment amount on the credit report is zero, allow the use of other documentation to determine the monthly payment amount for inclusion in the monthly DTI ratio
- specified that when documentation other than the credit report is used to verify the current monthly payment amount, the verified payment amount must be greater than zero
- added new requirements for student loans in income-driven repayment plans where documentation indicates that the borrower must recertify their income and/or that the borrower's payment will increase prior to or on the first mortgage payment due date as follows:
  - When documentation in the mortgage file indicates the borrower must recertify their income and/or that the borrower's payment will increase prior to or on the first mortgage payment due date, the lender must include in the monthly DTI ratio:
    - The greater of the current payment or 0.5% of the outstanding balance, or
    - The documented future payment amount if greater than the current payment, or
    - The future payment amount that is less than or equal to the current payment, provided that the mortgage file contains documentation that the borrower has recertified their income and the future payment amount has been approved. The future payment amount must be greater than zero.

### Allowable use of Proceeds from a “No Cash-Out” Refinance Transaction

We updated allowable use of proceeds from a “no cash-out” refinance transaction to specify that the payoff of the existing first mortgage may include a balance deferred under a loss mitigation plan and any costs or fees associated with the satisfaction and release of the first mortgage, such as late fees and prepayment penalties

### Cash-Out Refinance Transactions

We modified requirements for cash-out refinance transactions as follows:

- when title is held by a LLC or LP, the transfer of title must be completed on or before the note date (this replaces the previous requirement that the transfer of title must be completed prior to the note date)
- reorganized cash-out refinance requirements into subsections that apply for all cash-out refinances, requirements specific to a cash-out refinance used to pay off a first lien mortgage, and requirements for a cash-out refinance on a property owned free and clear

### Before and After Matrix

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

## Bulletin Details, continued

### Revised Materials

Click [Agency Loan Standard](#) and [Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages Standard](#) to review the revised product materials.

### Former Standards

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

### 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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