

Product Release

Information for Correspondent Lenders of SunTrust now Truist Bank
June 26, 2020 • COR20-025



Alert

Update

Reminder

Clarification

Training
Information

Preview

LPA GreenCHOICE Mortgages and Other Agency Revisions

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

- revise GreenCHOICESM mortgage requirements
- enhance the LPA asset and income modeler (AIM) income offering
- revise rental income requirements
- expand verification of employment requirements for transactions using Leave and Earnings Statements (LES)
- permit proceeds of a "no cash-out" refinance to be used to pay down any junior liens that were used in their entirety to acquire the subject property
- relaunch Freddie Mac's homeownership education curriculum with the name CreditSmart[®] Homebuyer U

Effective Dates

All updates are effective immediately for existing and new loan applications on or after June 26, 2020.

Background Information

Freddie Mac Bulletin 2019-25 announced updates impacting various LPA guideline requirements. In response to this publication, we reviewed impacted guidelines and identified opportunities to implement revisions to align with Freddie Mac requirements.

Bulletin Details

GreenCHOICE Mortgages

For LPA loans, we revise GreenCHOICE mortgage requirements, utilized to finance the costs of energy and/or water efficiency improvements. Highlights of the updates include the following:

- Introduce a "no cash-out" refinance option to pay off existing outstanding debt incurred to make energy and/or water efficiency improvements
 - Use Special Feature Code (SFC) J28 to identify a "no cash-out" refinance GreenCHOICE mortgage originated to pay off existing outstanding energy debt
- Add new requirements for "no cash-out" refinance GreenCHOICE mortgages for Home Possible[®] transactions with LTV/TLTV/HTLTV ratios greater than 95% but less than or equal to 97%
- Permit the option to obtain the invoice for the cost of solar panels and compare the cost of the panels to the income produced over the life of the panels, in lieu of an energy report (when determining the cost effectiveness of solar panels)

LPA AIM Income Offering Enhancements

For LPA loans, we revise AIM income assessment requirements as follows:

- A mortgage that receives a LPA income representation and warranty result of "Not Eligible" may be eligible for relief from enforcement of certain representations and warranties for the assessed income source(s) if:
 - LPA returns a feedback message stating that the income verification report is sufficient to document that particular income source and no further documentation for that income source is required; and
 - for all borrower sources of income submitted to, but not assessed by LPA, the lender verifies and documents the income in accordance with standard LPA requirements

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Bulletin Details, continued

[LPA AIM Income Offering Enhancements, continued](#)

- As a result of AIM income feedback message updates, we update guidelines to reflect these changes and include comprehensive charts for AIM using employer data and tax return data that details the available representation and warranty relief and corresponding verification and documentation requirements.

[Rental Income](#)

For LPA loans, we revise rental income guidelines to:

- Permit lenders to provide bank statements, electronic transfer of rental payments, or canceled rent checks, supporting two months' receipt of rental income, in lieu of Form 72, *Small Residential Income Property Appraisal Report* or Form 1000, *Single-Family Comparable Rent Schedule*
- Update the format and placement of certain charts to better reflect requirement differences for rental income from property acquired or placed in service in the current calendar year versus rental income from property owned in the prior calendar year
- Specify that non-cash add backs, such as amortization, may be included in calculating net rental income (when applicable); Form 92, *Net Rental Income Calculations – Schedule E* has been revised to reflect this update

[Verification of Employment](#)

For LPA loans, we expand verification of employment requirements to allow lenders to use a Leave and Earnings Statement (LES) dated no more than 120 days prior to the note date to verify the borrower's employment as part of the 10-day pre-closing verification (10-day PCV). This is an expansion of the current requirement that allows for use of an LES dated no more than 30 days prior to the note date.

["No Cash-Out" Refinance Mortgage Proceeds](#)

For LPA loans, we permit proceeds of a "no cash-out" refinance to be used to pay down any junior liens that are secured by the mortgaged premises and were used in their entirety to acquire the subject property. This is an expansion of the current requirement that allows proceeds of a "no cash-out" refinance to be used to pay off any junior liens used for this purpose.

[Homeownership Education](#)

For LPA loans, we adopt the following revised naming convention and updated tutorial for Freddie Mac's homeownership education curriculum: CreditSmart[®] Homebuyer U

[Before and After Matrix](#)

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

[Revised Materials](#)

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

[Former Guidelines](#)

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

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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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