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Preview

Business Assets as Closing Costs and Reserves on Key Loan Program

Truist Bank (Truist) announces revisions on the use of business assets as closing costs and reserves for the Key Loan Program.

Effective Dates

Effective for new and existing applications on or after March 5, 2021.

Background Information

Truist guidelines required a letter from a Certified Public Accountant (CPA) stating that withdrawals of business assets for closing costs or reserves will not negatively impact the business. After further research on this topic, it was determined that this requirement does not align with current industry practices. We reviewed impacted guidelines and identified the opportunity to revise and improve guidelines for the use of business assets on Key Loan Program transactions.

Bulletin Details

Business Assets as a Source of Closing Costs and Reserves on Key Loan Program Transactions

Truist guidelines now allow the use of business assets for down payment, closing costs, and reserves on Key Loan Program transactions. When using business assets for down payment, closing costs, or reserves, the following requirements apply:

- The borrower must be 100% owner of the business.
- A full analysis of business financials must consider the current effect of the asset withdrawal on the business and must consider how the withdrawal will impact the viability of the business in the future.
 - The review and evaluation of 3 months of the most recent business bank/asset statements, to evaluate cash flow, is required.
 - The most recent statement may not be dated more than 45 days prior to the application to date.

Note: Supplemental statements may be necessary to evidence additional funds needed for the transaction, or to satisfy a liability prior to closing.

- Supplemental statements must include the borrower(s) name, account number, and transaction history.
- Supplemental statements must contain a transaction history which covers the period from the date of the most recent statement (dated within 45 days prior to the application date) to the date of the supplemental statement.
- Supplemental statements may be computer generated forms, including online account or portfolio statements.
- A business cash/flow liquidity analysis using the Quick Formula Ratio is also required, to confirm the impact of the withdrawal on the business. The Quick Formula Ratio calculation is $(\text{current assets} - \text{inventory}) \div \text{current liabilities}$.
 - A ratio of 1.0 or greater is acceptable to determine that the company has enough assets to satisfy liabilities.
 - The loan file must contain evidence that the Quick Formula Ratio calculation was performed, including documentation of the results.

Product Release

Information for Correspondent Lenders of Truist Bank
March 5, 2021 • COR21-010



Bulletin Details, continued

Revised Material

Click [Key Loan Program](#) and Key Loan Program Eligibility Checklist ([COR 0650](#)) to review the revised product material.

Former Guidelines

Previously, Truist required a CPA letter verifying that withdrawals of business assets, for use as closing costs on a mortgage transaction, would not negatively impact the business. In addition, Truist previously disallowed the use of business assets as reserves on Key Loan Program transactions.

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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