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## Cash-Out Refinance Waiting Period and Other Agency Revisions

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

- revise cash-out refinance guidelines to allow the time held in a limited liability corporation (LLC) or limited partnership (LP) to count towards the borrower's six-month ownership requirement, when certain criteria are met
- permit the use of future long-term disability income that will commence after the first mortgage payment due date, when certain criteria are met
- revise age of tax return requirements
- remove the special feature code (SFC) 921 requirement for mortgages where fees are paid with credit card, cash advance, or unsecured line of credit
- clarify income guidance by updating references to the terms income "source" and income "type" for guideline consistency

We also revise Desktop Underwriter<sup>®</sup> (DU<sup>®</sup>) guidelines (and align with today's LPA update) and remove the SFC 921 requirement for mortgages where fees are paid with credit card, cash advance, or unsecured line of credit.

### Effective Dates

All updates are effective immediately for existing and new loan applications on or after October 29, 2021.

### Background Information

Freddie Mac Bulletin 2021-12 announced updates impacting various LPA guideline requirements. In response to this publication, we reviewed impacted guidelines and identified the opportunity to implement revisions to align with Freddie Mac requirements.

In support of our guideline improvement initiative, we identified the opportunity to revise DU guidelines (and align with today's LPA update) and remove the SFC 921 requirement for mortgages where fees are paid with credit card, cash advance, or unsecured line of credit.

### Bulletin Details

#### Cash-Out Refinance Waiting Period for Properties Owned by a LLC or LP

For LPA loans, we revise requirements related to the waiting period prior to a cash-out refinance transaction as follows:

- If title to the property is held by a limited liability company (LLC) or limited partnership (LP), the time the property was titled in the name of the LLC or LP may be counted towards meeting the borrower's six-month ownership requirement provided that:
  - at least one borrower is a majority owner or had control of the LLC or LP since the date the property was acquired by the LLC or LP, and
  - title is transferred from the LLC or LP into the borrower's name prior to the note date

#### Long-Term Disability Income

For LPA loans, we permit the use of future long-term disability income that will commence after the first mortgage payment due date provided that:

- the borrower is currently receiving short-term disability benefits that will subsequently convert to long-term benefits,
- the borrower is qualified on the lesser amount of either the long-term or short-term disability payments, and

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## Bulletin Details, continued

### Long-Term Disability Income, continued

- the following documentation requirements are met:
  - document the source, type, amount, and payment frequency of both the short-term and long-term payments
  - obtain verification of current receipt of the short-term disability payments and verification that the borrower will continue to receive the payments until the date of conversion to long-term disability
  - the documentation must be dated no more than 120 days prior to the note date

### Age of Tax Return Requirements

In response to the Internal Revenue Service (IRS) extending the filing deadline for individual tax returns to May 17, 2021, we update LPA age of tax return guidelines to reflect the revised date requirements based on the application received date and the note date of the mortgage loan.

### SFC 921 Removal

For LPA loans, we align with Freddie Mac and remove the SFC 921 requirement for mortgages where fees are paid with credit card, cash advance, or unsecured line of credit.

For DU loans, we remove the SFC 921 requirement for mortgages where fees are paid with credit card, cash advance, or unsecured line of credit.

### Updating References to the Terms Income "Source" and Income "Type" for Guideline Consistency

For LPA loans, we clarify income guidance by updating references to the terms income "source" and income "type" to ensure the terms are being used consistently throughout the guidelines.

### Before and After Matrix

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

### Revised Material

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

## 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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