

Agency Guideline Revisions

Note: Truist specific overlays are underlined.

Topic	Impacted Document	Impacted Products	Current Guidelines	Revised Guidelines Effective for NEW Loan Applications ON OR AFTER July 16, 2021
Condominium Requirements	Correspondent Section 1.06 Condo/PUD Approval Requirements	<ul style="list-style-type: none"> • Standard Agency (LPA) • Agency Plus (LPA) • Agency Plus Select (LPA) • Home Possible® Mortgage (LPA) • Texas Section 50 (a)(6) Mortgages (LPA) 	<p>Agency / Project Risk Overview</p> <p>Freddie Mac LPA Follow LPA requirements, which are as follows:</p> <ul style="list-style-type: none"> • Lender's Assessment of Project Risks <ul style="list-style-type: none"> • Freddie Mac requires a condominium project review to address certain project risks including, but not limited to, the marketability and condition of the project, the marketability of the units within the project, the financial stability and viability of the project, project-level litigation, restrictions on unit owners' rights to occupy the unit, ownership and use of the project common areas and amenities and the adequacy of insurance coverage to protect the project from damage and loss. • Freddie Mac expects the lender to have staff that is experienced and knowledgeable about condominium project risks and to place as much emphasis on the adequacy of the property as collateral as it does on underwriting the borrower's creditworthiness. The quality of a mortgage secured by a unit in a condominium project can be impacted by the financial stability and viability of the particular project, among other project characteristics. The conclusion that a mortgage is acceptable to Freddie Mac must be based on the determination that the borrower is creditworthy and the mortgaged premises is adequate collateral for the mortgage transaction. • If a lender determines that an established condominium project does not meet certain Freddie Mac project eligibility requirements and concludes that the mortgaged premises is still adequate collateral for the mortgage transaction, then the lender may request that Freddie Mac consider a waiver. See "Freddie Mac Condo Project Advisor®" (outlined below) for additional information. • Freddie Mac Condo Project Advisor® <ul style="list-style-type: none"> • Freddie Mac Condo Project Advisor®, accessible through Freddie Mac Loan AdvisorSM, allows authorized lenders to submit a request for single loan exceptions (referred to as a Project Waiver Request (PWR)) for established condominium projects that do not meet certain condominium project eligibility requirements. Approved PWRs are issued a Condo Project Advisor Feedback Certificate. <p>Note: The Condo Project Advisor Feedback Certificate is the printed or printable document returned by Condo Project Advisor that details the approval of a Project Waiver Request submission.</p> • General Eligibility <ul style="list-style-type: none"> • Established Condominium Project <ul style="list-style-type: none"> • To be eligible for a PWR, the condominium unit mortgage must be secured by a condominium unit in an Established Condominium Project. However, a condominium project that meets all other requirements for an Established Condominium Project, other than the 75% percentage conveyance to unit purchasers, may still be considered as an Established Condominium Project on a case-by-case basis if: <ul style="list-style-type: none"> • The developer retained more than 25% of the units for rental purposes; and • The developer has owned these units for a minimum of 10 years • Project Eligibility Categories <ul style="list-style-type: none"> • The condominium project must comply with the project eligibility requirements for Established Condominium Projects, subsequently detailed in the "Full Review Process (Fannie Mae) / Established Condominium Projects (Freddie Mac)" subtopic, and all other 	<p>Agency / Project Risk Overview</p> <p>Freddie Mac LPA Follow LPA requirements, which are as follows:</p> <ul style="list-style-type: none"> • Lender's Assessment of Project Risks <ul style="list-style-type: none"> • Freddie Mac requires a condominium project review to address certain project risks including, but not limited to, the marketability and condition of the project, the marketability of the units within the project, the financial stability and viability of the project, project-level litigation, restrictions on unit owners' rights to occupy the unit, ownership and use of the project common areas and amenities and the adequacy of insurance coverage to protect the project from damage and loss. • Freddie Mac expects the lender to have staff that is experienced and knowledgeable about condominium project risks and to place as much emphasis on the adequacy of the property as collateral as it does on underwriting the borrower's creditworthiness. 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			<p>applicable requirements outlined in this document, except for the following condominium project eligibility categories:</p> <ul style="list-style-type: none"> • Delinquent assessments • Excessive commercial space • Pending litigation • Owner occupancy (referred to as “Project Unit Occupancy” in Condo Project Advisor) • Reserves for capital expenditures and deferred maintenance • Excessive single investor concentration (referred to as “Single Entity Ownership” in Condo Project Advisor) • Project in which unit owners do not possess sole ownership of the common elements (referred to as “Leased Amenities” in Condo Project Advisor) <ul style="list-style-type: none"> • Submission Timing <ul style="list-style-type: none"> • The PWR may be submitted at any time during the loan origination process, but must be submitted prior to delivery of the related condominium unit mortgage to Truist. • Mortgage Identification <ul style="list-style-type: none"> • An approved PWR is applicable to only the mortgage identified on the Condo Project Advisor Feedback Certificate and is not applicable to any other mortgage secured by a condominium unit located in the same condominium project. • Documentation Requirements for Mortgages with Approved PWRs <ul style="list-style-type: none"> • The Condo Project Advisor feedback certificate must be maintained in the applicable mortgage file. • Representations and Warranties <ul style="list-style-type: none"> • In connection with a mortgage with an approved PWR, Freddie Mac will accept the Condo Project Advisor Feedback Certificate, and will not exercise its remedies, including the issuance of repurchase requests, in connection with a breach of the lender’s selling representations and warranties related to the condominium project review and eligibility requirements identified on the Condo Project Advisor Feedback Certificate. The lender remains responsible for compliance with all other requirements of their Purchase Documents. • Special Feature Code (SFC) Requirement <ul style="list-style-type: none"> • Use SFC PWR to identify a condominium unit mortgage with an approved PWR obtained through the use of Freddie Mac’s Condo Project AdvisorSM. • Delivery Requirements <ul style="list-style-type: none"> • Condominium unit mortgages with approved PWRs, must be delivered to Freddie Mac within 120 days after the note date. If the condominium unit mortgage is not delivered within 120 days after the note date, the authorized lender must submit a new PWR and obtain a new Condo Project Advisor Feedback Certificate prior to delivery. <hr/> <p>Agency / Delivery Requirements</p>	<p>applicable requirements outlined in this document, except for the following condominium project eligibility categories:</p> <ul style="list-style-type: none"> • Delinquent assessments • Excessive commercial space • Pending litigation (includes alternative dispute resolution (ADR) proceedings) • Owner occupancy (referred to as “Project Unit Occupancy” in Condo Project Advisor) • Reserves for capital expenditures and deferred maintenance • Excessive single investor concentration (referred to as “Single Entity Ownership” in Condo Project Advisor) • Project in which unit owners do not possess sole ownership of the common elements (referred to as “Leased Amenities” in Condo Project Advisor) <ul style="list-style-type: none"> • Submission Timing <ul style="list-style-type: none"> • The PWR may be submitted at any time during the loan origination process, but must be submitted prior to delivery of the related condominium unit mortgage to Truist. • Mortgage Identification <ul style="list-style-type: none"> • An approved PWR is applicable to only the mortgage identified on the Condo Project Advisor Feedback Certificate and is not applicable to any other mortgage secured by a condominium unit located in the same condominium project. • Documentation Requirements for Mortgages with Approved PWRs <ul style="list-style-type: none"> • The Condo Project Advisor feedback certificate must be maintained in the applicable mortgage file. • Representations and Warranties <ul style="list-style-type: none"> • In connection with a mortgage with an approved PWR, Freddie Mac will accept the Condo Project Advisor Feedback Certificate, and will not exercise its remedies, including the issuance of repurchase requests, in connection with a breach of the lender’s selling representations and warranties related to the condominium project review and eligibility requirements identified on the Condo Project Advisor Feedback Certificate. 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			<p>Freddie Mac LPA Follow LPA requirements, which are as follows:</p> <ul style="list-style-type: none"> • When delivering a loan for a unit located in a project, the lender must provide the applicable Project Classification as shown below: <ul style="list-style-type: none"> • Streamlined Review • Established Project • New Project • Exempt from Review <p style="margin-left: 40px;">Truist Note: Truist requires Special Feature Code (SFC) PEW to identify the <i>Exempt from Review</i> project classification.</p> <ul style="list-style-type: none"> • Reciprocal Review (CPM Review, FHA-approved, or PERS) • Lenders are encouraged to obtain the TIN(s) for the HOA and retain this information as part of the project review documentation. The Condominium Department will provide an alternative tracking number when not provided on a project with more than four units. <hr/> <p>Agency / Ineligible Projects / List of Ineligible Project Characteristics</p> <p>Freddie Mac LPA Follow LPA requirements, which are as follows:</p> <ul style="list-style-type: none"> • Except condominium unit mortgages delivered in accordance with the “Exempt from Review (Freddie Mac)” requirements previously presented in this document, mortgages secured by units in any of the following types of projects are not eligible for sale to Freddie Mac. <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr style="background-color: #cccccc;"> <th style="text-align: center;">Ineligible Condo Project Characteristics</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> • Projects in which the unit owners do not have an undivided ownership interest or leasehold interest in the land on which the project is located <ul style="list-style-type: none"> • A project in which, when control of the homeowners association (HOA) has been or will be turned over to the unit owners, the unit owners do not have either: (1) an undivided ownership interest in the land on which the project is located; or (2) a leasehold interest in the land on which the project is located. </td> </tr> <tr> <td> <ul style="list-style-type: none"> • Condominium Hotel or Similar Type of Transient Housing <ul style="list-style-type: none"> • Any project that is a condominium hotel or similar type of transient housing. <ul style="list-style-type: none"> • Projects with one or more of the following characteristics are considered a condominium hotel and are ineligible projects: <ul style="list-style-type: none"> • Projects and/or HOAs that are licensed, have a permit to operate, or are registered, as a hotel or a motel, even though the units may be individually owned • Projects that impose mandatory rental-pooling (or similar agreements that restrict the unit owner's ability to occupy the unit for living purposes such as blackout dates or occupancy limits on personal use) to assure an inventory of units for rent on a frequent basis, such as daily, weekly, monthly or seasonally </td> </tr> </tbody> </table>	Ineligible Condo Project Characteristics	<ul style="list-style-type: none"> • Projects in which the unit owners do not have an undivided ownership interest or leasehold interest in the land on which the project is located <ul style="list-style-type: none"> • A project in which, when control of the homeowners association (HOA) has been or will be turned over to the unit owners, the unit owners do not have either: (1) an undivided ownership interest in the land on which the project is located; or (2) a leasehold interest in the land on which the project is located. 	<ul style="list-style-type: none"> • Condominium Hotel or Similar Type of Transient Housing <ul style="list-style-type: none"> • Any project that is a condominium hotel or similar type of transient housing. <ul style="list-style-type: none"> • Projects with one or more of the following characteristics are considered a condominium hotel and are ineligible projects: <ul style="list-style-type: none"> • Projects and/or HOAs that are licensed, have a permit to operate, or are registered, as a hotel or a motel, even though the units may be individually owned • Projects that impose mandatory rental-pooling (or similar agreements that restrict the unit owner's ability to occupy the unit for living purposes such as blackout dates or occupancy limits on personal use) to assure an inventory of units for rent on a frequent basis, such as daily, weekly, monthly or seasonally 	<p>Freddie Mac LPA Follow LPA requirements, which are as follows:</p> <ul style="list-style-type: none"> • When delivering a loan for a unit located in a project, the lender must provide the applicable Project Classification as shown below: <ul style="list-style-type: none"> • Streamlined Review • Established Project • New Project • Exempt from Review <p style="margin-left: 40px;">Truist Note: Truist requires Special Feature Code (SFC) PEW to identify the <i>Exempt from Review</i> project classification.</p> <ul style="list-style-type: none"> • Reciprocal Review (CPM Review, FHA-approved, or PERS) • Lenders are encouraged to obtain and deliver the TIN(s) for the HOA. 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			<ul style="list-style-type: none"> • Projects with revenue-sharing agreements between unit owners and the HOA, property management, and/or rental operator contracted by the HOA or property management • Projects with one or more of the following characteristics are considered a type of transient housing and are ineligible projects: <ul style="list-style-type: none"> • Projects and/or HOAs that are licensed (or have a designated licensed agent), have a permit to operate, or are registered, as a type of transient housing (e.g., vacation rental license, short term rental registrant, etc.) for the rental of non-HOA owned units • Condominium projects that are conversions of a hotel (or a conversion of a similar type of transient housing) unless the project was a gut rehabilitation and the resulting condominium units no longer have the characteristics of a hotel or similar type of transient housing • The HOA receives revenue from, or pays expenses for, hotel type services including but not limited to: <ul style="list-style-type: none"> • A registration desk (this includes a project's front desk also serving as the vacation rentals registration desk or an onsite rental operator's registration desk) • A rental registration website/hosting platform • Daily cleaning services • Porters/luggage service • Any central telephone service • Central key systems, or • Room service • The HOA charges a fee, paid by either the unit owner or the unit owner's transient renters, when a unit is rented on a transient basis. This includes any surcharge to unit owners who do not elect to rent their units through the HOA's and/or property management's preferred rental operator(s). This does not include any fees charged to reimburse the cost of the wear and tear to the project's facilities and/or amenities from the transient renters or any fees charged for reviewing the terms of the transient rental contract. • The HOA and/or its management agent, as rental operator or licensed agent, collects and remits required taxes to all applicable jurisdictions (city, county and state) such as transient, short term rental, and/or hotel occupancy taxes as well as sales taxes, excise taxes, etc. • The HOA provides a designated space (e.g., an HOA-owned unit, an area in the project's lobby or other common elements area, etc.) for the operation of an on-site rental operator free of charge to that rental operator • Unit owners are required through the project documents or other contractual agreement to use a specific rental agency(ies) for their transient rentals • The entity that manages the condominium project also manages its transient rentals. 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This does not include any fees charged to reimburse the cost of the wear and tear to the project's facilities and/or amenities from the transient renters or any fees charged for reviewing the terms of the transient rental contract. • The HOA and/or its management agent, as rental operator or licensed agent, collects and remits required taxes to all applicable jurisdictions (city, county and state) such as transient, short term rental, and/or hotel occupancy taxes as well as sales taxes, excise taxes, etc. • The HOA provides a designated space (e.g., an HOA-owned unit, an area in the project's lobby or other common elements area, etc.) for the operation of an on-site rental operator free of charge to that rental operator • Unit owners are required through the project documents or other contractual agreement to use a specific rental agency(ies) for their transient rentals • The entity that manages the condominium project also manages its transient rentals. 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			<p>that has independent divisions for property management and for transient rentals management, the property management division manages the condominium project, and unit owners are not mandated to contract with its transient rentals division.</p> <ul style="list-style-type: none"> • Residential units have restrictions on interior decorating that are imposed by the HOA or its management agent • Condominium projects with short-term rentals may be eligible if the lender fully analyzes all the characteristics of the project and related information to determine if the project is not a condominium hotel or transient housing as described above. • As required in the “General Condominium Project Eligibility Requirements” (outlined in the “Project Review Methods/Types” subtopic previously presented in this document), the lender must retain, and provide upon request, documentation to support its analysis that the condominium project is not a condominium hotel or similar type of transient housing as described above. Such documentation may include, but is not limited to, project documents (e.g., by-laws, project budgets and financial statements), offering statements (or their equivalent) and marketing materials, web sites, contracts for sale and appraisal reports. 	<p>that has independent divisions for property management and for transient rentals management, the property management division manages the condominium project, and unit owners are not mandated to contract with its transient rentals division.</p> <ul style="list-style-type: none"> • Residential units have restrictions on interior decorating that are imposed by the HOA or its management agent • Condominium projects with short-term rentals may be eligible if the lender fully analyzes all the characteristics of the project and related information to determine if the project is not a condominium hotel or transient housing as described above. • As required in the “General Condominium Project Eligibility Requirements” (outlined in the “Project Review Methods/Types” subtopic previously presented in this document), the lender must retain, and provide upon request, documentation to support its analysis that the condominium project is not a condominium hotel or similar type of transient housing as described above. Such documentation may include, but is not limited to, project documents (e.g., by-laws, project budgets and financial statements), offering statements (or their equivalent) and marketing materials, web sites, contracts for sale and appraisal reports. 												
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			<ul style="list-style-type: none"> A project with shared amenities is eligible if two or more HOAs share the amenities (such as recreational or fitness facilities, swimming pools and clubhouses) for the sole use of the unit owners, and the HOAs have an agreement specifying: <ul style="list-style-type: none"> A description of the shared amenities and the terms of the unit owners' permitted use of the shared amenities How the shared amenities will be funded, managed and maintained, and The method for resolving disputes between the HOAs regarding the shared amenities The developer must not retain any ownership interest in the common elements, facilities and amenities, except as unit owner. The common elements, including parking and amenities, such as recreational facilities, must not be subject to a lease between the unit owners or the HOA (as lessee) and any other party (as lessor), with the exception of commercial leases for parking, or permit arrangements for parking, entered into with parties unrelated to the developer. <p>Notes:</p> <ul style="list-style-type: none"> The project's common elements, including amenities and limited common elements, must be consistent with the nature of the project and similar to competing condominium projects in the market area. Financing of Limited Common Elements <ul style="list-style-type: none"> Limited common elements are portions of common elements reserved for use by one or more unit owners but not all unit owners. Limited common elements are defined in the project documents, and may include, but are not limited to, balconies or patios serving a single unit, assigned parking spaces or storage bins. Limited common elements that are purchased as part of the condominium unit may be financed as part of the mortgage, and the cost of such limited common elements may be included when determining the sale price and loan-to-value (LTV) ratio. Only limited common elements may be financed along with the condominium unit. Facilities serving the condominium unit which are made available to the condominium unit by a permit, license or lease (other than in a leasehold condominium), must not be financed as part of a mortgage, and the cost of the use of such facilities may not be included when determining the sale price and LTV ratio. 	<p>amenities (such as recreational or fitness facilities, swimming pools and clubhouses) for the sole use of the unit owners, and the HOAs have an agreement specifying:</p> <ul style="list-style-type: none"> A description of the shared amenities and the terms of the unit owners' permitted use of the shared amenities How the shared amenities will be funded, managed and maintained, and The method for resolving disputes between the HOAs regarding the shared amenities The developer must not retain any ownership interest in the common elements, facilities and amenities, except as unit owner. 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Project in litigation <ul style="list-style-type: none"> A project in which: (i) the HOA is named as a party to pending litigation or the lender discovers that the HOA is a party to an alternative dispute resolution (ADR) proceeding, such as arbitration or mediation, or (ii) the project sponsor or developer is named as a party to pending litigation or the lender discovers that the project sponsor or developer is a party in an ADR proceeding that relates to the safety, structural soundness, functional use or habitability of the project. If the lender determines that the reason for the pending litigation involves minor matters that do not affect the safety, structural soundness, functional use or habitability of the project, the project is eligible if the litigation is limited to one of the following: <ul style="list-style-type: none"> The litigation amount is known, the insurance company has

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			<p>committed to provide the defense and the litigation amount is covered by the insurance policy</p> <ul style="list-style-type: none"> • The litigation amount is unknown, the lender has documented the mortgage file with a copy of the complaint, or the most recent amended complaint, and with an attorney letter that supports the lender's determination that the litigation involves minor matters. The attorney letter must state: (i) the reason for the litigation; (ii) that the insurance company has committed to provide the defense; and (iii) that any potential monetary judgment against the HOA, or settlement with the HOA, including punitive damages, will likely be covered by the HOA's insurance policy. If the attorney indicates the matter will not likely be covered by the HOA's insurance policy, then the project is ineligible; or • The matter involves: <ul style="list-style-type: none"> • A non-monetary neighbor dispute or right of quiet enjoyment, or • The HOA is the plaintiff in a foreclosure action or action for past due HOA assessments, or • The HOA is the plaintiff in the litigation seeking reimbursement for expenditures made to repair the project's component(s) which may have included items that related to the safety, structural soundness, functional use or habitability of the project, the repair permanently resolved the defect or issue and the expenditures did not significantly impact the financial stability or future solvency of the HOA. • The valid estimation of or known litigation amount is not expected to exceed 10% of the project's funded reserves, provided that this does not violate the applicable jurisdiction's laws and regulations. • The lender must retain documentation to support its analysis that the reason for the dispute meets Freddie Mac's requirements for minor matters as described above. <p>• Project with excessive single investor concentration</p> <ul style="list-style-type: none"> • Any project in which an individual or a single entity such as an investor group, partnership or corporation owns more than the following total number of units in the project: <table border="1" style="margin-left: 20px; border-collapse: collapse; width: 80%;"> <thead> <tr style="background-color: #cccccc;"> <th style="text-align: center;">Number of Units in the Project</th> <th style="text-align: center;">Total number of units owned by individual or single entity</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Five to 20</td> <td style="text-align: center;">Two</td> </tr> <tr> <td style="text-align: center;">21 or more</td> <td style="text-align: center;">25%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • The following may be excluded from the single investor concentration calculation: <ul style="list-style-type: none"> • Vacant units being actively marketed by the developer. 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