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GENERAL CREDIT POLICY UPDATES

AGENCY LOANS: MAXIMUM LOAN LIMIT CHANGES

Effective Date: As defined below.

Fannie Mae and Freddie Mac have increased maximum base conforming and high-cost area loan limits for 2018 as shown below.

Units	Contiguous States and District of Columbia		Alaska and Hawaii	
	General	High Balance Loans Perm High Cost	General	High Balance Loans Perm High Cost
1 Unit	\$453,100	\$679,650	\$679,650	\$1,019,475
2 Unit	\$580,150	\$870,225	\$870,225	\$1,305,325
3 Unit	\$701,250	\$1,051,875	\$1,051,875	\$1,577,800
4 Unit	\$871,450	\$1,307,175	\$1,307,175	\$1,960,750

Citi Correspondent Lending will allow loan submissions according to 2018 Agency loan limits as follows:

- **DU Loans** – New registrations or DU re-submissions on/after December 10, 2017.
- **LPA Loans** – New registrations or LPA re-submissions on/after December 3, 2017.

Note: If you are registering loans with the new limits prior to 12/26, please refer to the related announcement (also published today) detailing a temporary registration process in place until Citi system updates are completed. After 12/26, Citi systems, including the Correspondent website, will allow registration of a conforming loan up to the 2018 maximum conforming loan amount.

Manual Sections Affected: 201, 204, 233, 235, 406, 407, 408, 413, 414, 802

FANNIE MAE PROPERTY INSPECTION WAIVER: ELIGIBILITY CRITERIA

Effective Date: December 10, 2017; New Registrations

For loans decided via Desktop Underwriter (DU), the following transactions are now eligible for a DU PIW recommendation:

- Rate/Term Refinances up to 90% LTV
- Cash-Out Refinances (must have a minimum 720 FICO to qualify)

Purchase transactions remain ineligible at this time.

Manual Section Affected: 501.1

LOAN PRODUCT ADVISOR: AUTOMATED COLLATERAL EVALUATION (ACE)

Effective Date: December 10, 2017; New Registrations

Loan Product Advisor transactions that have a PIW issued via Automated Collateral Evaluation (ACE) are acceptable subject to the following criteria:

- Must be secured by a 1-unit primary residence or second home;
- Must have an LTV/CLTV/HCLTV ratio less than or equal to 80%; and
- Must be a rate/term refinance.

Purchase transactions are not eligible at this time.

Manual Section Affected: 501.1

AGENCY LOANS: EXPANDED LTV REQUIREMENTS

Effective Date: December 10, 2017; New Registrations

The Citi overlay limiting eligibility of agency loans with an LTV >95% to 97% to CRA-eligible transactions only has been removed.

Manual Sections Affected: 233, 235, 406

TEXAS REFINANCE TRANSACTIONS

Effective Date: Loans with Borrower Application Dates on/after January 1, 2018

Texas Proposition 2, the Home Equity Loan Amendment, makes changes to home equity borrowing parameters, including lowering the cap on loan related fees from 3% to 2%, and excludes certain additional fees from the cap.

In addition, for loan applications taken on or after January 1, 2018, borrowers with an existing Texas Section 50(a)(6) loan may elect to refinance under the new Texas Section 50(f)(2) Rate and Term Refinance Loan program. A new fact sheet is available outlining the requirements for this type of refinance.

In addition to the above, revisions have been made to the Texas Section 50(a)(6) fact sheets to reflect changes in closing costs, fees and charges, which are effective with loans closed on or after January 1, 2018.

Manual Sections Affected: 410, 411

LPA FOR AGENCY JUMBO LOANS

Effective Date: December 10, 2017; New Registrations

Per Freddie Mac 2017-20, the following field review requirements have been removed:

- A Field Review (One-Unit Residential Appraisal Field Review Report or a Two-to-Four-Unit Residential Appraisal Field Report for properties secured by a 2-4 unit) is required if the property is valued at \$1,000,000 or more and the LTV, CLTV, or HCLTV is greater than 75%.
- When the Field Review Report has a different value from the original appraisal report the lower of the original report, field review value or sales price must be used to calculate the LTV/CLTV/HCLTV.

Note: Fannie Mae has not removed this requirement for their Agency Jumbo loan transactions; therefore, for best execution purposes policy will remain the same for applicable DU and manually underwritten transactions.

Manual Section Affected: 414

RENTAL INCOME

Effective Date: December 10, 2017; New Registrations

In Freddie Mac Bulletin 2017-12, Freddie Mac announced the introduction of revised rental income requirements and guidance. Policy has been updated as follows:

- Loans originated via DU or LPA may follow the appropriate documentation requirements defined in the DU/LPA recommendation. Policy in Section 805.3 will continue to apply to manually underwritten loans.
- Freddie Mac has discontinued the use of the Freddie Mac Operating Income Statement (Form 998) and replaced it with the Comparable Rent Schedule (Form 1000).

The Partial or No Rental History on Tax Returns topic has been updated to reflect that the AUS recommendations can be followed for loans decided via DU and LPA.

Manual Sections Affected: 501.1, 805.3

DESKTOP UNDERWRITER (DU): CONSUMER CREDIT BUREAU BLOCKS

Effective Date: December 10, 2017; New Registrations

For loans decided via DU only, DU will underwrite loan casefiles when a borrower has placed a freeze on their credit report for only one of the three credit repositories. The loan casefile will be underwritten using the credit data received from the other two repositories and DU will issue a Red Flag message.

For all other transactions, policy remains as currently published; Correspondents must provide a credit report that contains data from each borrower from each of the 3 national credit repositories.

Manual Section Affected: 807

BOARDER INCOME

Effective Date: December 10, 2017; New Registrations

Per Fannie Mae B3-3.1 and Freddie Mac 2017-12, Citi's boarder income policy has been updated. Key changes include:

- No longer limited to certain Community Lending Programs
- Only borrowers with disabilities who receive rental income from a live-in-personal assistant or live-in aide may use this option;
- Income used to qualify is limited to 30% of the total gross monthly qualifying income;
- The subject property must be a 1-unit primary residence;
- The borrower must provide documentation of the boarder's history of shared residency;
- The borrower must provide evidence that s/he has received the income for at least 12 months.
- The income must be reflected on the borrower's most recent tax return.

In addition to the above, this topic has been moved from the Rental Income section and Community Lending Program fact sheets, to Employment & Income/Other Non-Employment Income.

Manual Sections Affected: 233, 235, 805.2, 805.3, 805.4

LOAN PRODUCT ADVISOR (LPA): RESERVES

Effective Date: LPA submissions and re-submissions on/after November 12, 2017

Loan Product Advisor has been enhanced to calculate required additional reserves for second homes and investment properties. Reserves will no longer be required to be calculated manually. Policy has been updated as follows (italicized text represents changes):

Loan Product Advisor will determine the minimum amount of reserves requiring verification and return this information on the Loan Product Advisor Feedback Certificate. *Second home and Investment Properties require additional reserves equal to two months PITIA which are included in the amount of reserves required to be verified on the Feedback Certificate.*

Manual Sections Affected: 407, 414

RECURRING DEBT: STUDENT LOANS

Effective Date: December 10, 2017; New Registrations

The Student Loan policy for manually underwritten loans has been updated to align with recent changes announced in Freddie Mac Bulletin 2017-23. The revised policy (below) represents best execution:

The monthly payment should be calculated using the greater of the payment amount provided on the credit report or 1% of the balance. If payments are currently deferred or in forbearance, use the greater of:

- The monthly payment amount reported on the credit report; or
- 1% of the original loan balance or the outstanding balance, as reported on the credit report, whichever is greater.

Manual Section Affected: 804

GOVERNMENT LOANS: GENERAL UPDATES

Effective Date: December 10, 2017; New Registrations

Updates to policy addressing government loans have been made as follows:

- **FHA Product Fact Sheet:** References to FHA Information Letters 17-41 and 17-50 were added to allow for lenders to order inspections without waiting for FEMA to issue a close date for the Irma incident period. Current policy requires inspections to be put on hold until the close date has been issued.
- **VA IRRRL Fact Sheet**
 - IRS Form 4506-T topic: The reference to “Citi Serviced transactions” has been removed. A signed 4506-T is not required for any transaction.
 - LTV/CLTV/HCLTV and Subordinate Financing topics: A reference to requirements for Citi-Serviced requirements was added for clarification.

Manual Sections Affected: 270, 271

CLARIFICATIONS

BANKRUPTCY

Policy has been updated to reiterate that borrowers who have an active bankruptcy are only eligible for a HAR refinance. In all other instances, the borrower must meet the waiting period defined in current policy.

Manual Sections Affected: 214, 215, 807

ACCESSORY UNITS & INCIDENTAL SECOND UNITS

Per Fannie Mae B4-1.3 and Freddie Mac 2017-8, the definition of accessory units and incidental second units has been further clarified (italicized text represents updates):

This is a property that contains a second unit that:

- 1) *May or may not be typical* for the area's zoning;
- 2) *Does not have its own separate utilities and/or property address*;
- 3) Has its own fully functioning kitchen and bath; and
- 4) *Is incidental to the overall value and appearance of the subject property.*

Additionally, the appraisal must also include one comparable sale with the same type of incidental unit in the Sales Comparison Analysis section.

Manual Section Affected: 808

CO-SIGNED CONTINGENT LIABILITIES

Policy addressing co-signed loans has been clarified as follows (italicized text represents changes):

The debt is not included in the debt-to-income ratio if the documentation in the file clearly substantiates that the borrower is a co-signer (not the primary obligor) and the *primary obligor* is paying the debt on a timely basis. The *primary obligor* should be making timely payments to cover at least the last 12-month period.

Manual Section Affected: 804

SIGNATURE REQUIREMENTS

A note has been added to the Signature Requirements topic clarifying that co-signers or guarantors are not permitted for Citi Correspondent Lending. This statement is currently present in the Cosigner/Guarantor topic as well.

Manual Section Affected: 803

REMINDERS

DU VALIDATION / DAY 1 CERTAINTY

Citi will honor the DU Validation condition message(s) and accept the third-party verification report(s). It is not necessary to submit additional documentation outside of what is required by the messaging.

2018 HMDA REQUIREMENTS

As communicated in Bulletins 2017-02, 2017-04, 2017-07 and our 11/17/17 Quality Flash, the CFPB has announced updates to HMDA requirements that become effective on January 1, 2018. Correspondents must be prepared to provide all data points, both new and updated, required as part of the forthcoming HMDA Rule changes for **every** loan submitted for purchase consideration with a Citi final disposition in 2018. **This includes loans originated in 2017 but with a Citi final disposition on/after January 1, 2018.**

While most of the new/updated data points are included on standard loan documents, there are 2 new data points that are required to be provided that may not be included on such documents: 1) the Correspondent's Universal Loan Identifier (ULI); and 2) a determination of whether or not the loan is for a Business or Commercial Purpose (as defined by HMDA). To make it easier for you to provide these 2 data points, Citi has added fields to the current version of Exhibit 16-File Document Checklist. Also, a ULI field has been added to the Correspondent website registration Final Info tab (tab 3). Citi is adding conditional suspense reminders to loans where the Correspondent ULI and/or the determination of the HMDA Business/Commercial Purpose haven't been provided. Note these suspense items will be "waived" if the loan moves to a final Citi disposition in 2017.

Note: Due to the updated requirements, Citi may ask you to provide missing required data for loans moved to a Citi final disposition on/after 1/1/18 even if a loan isn't purchased. Examples: APR, Government Monitoring Information.

For loans with Borrower Application Dates on/after 1/1/18, the new government monitoring information, including expanded race and ethnicity options, **must** be provided via a Demographic Information Addendum. The Demographic Information Addendum will be considered a critical document and must be present before a credit and/or closed loan package will be reviewed.

In order to avoid delays with review of loans submitted for purchase consideration, please ensure the updated data requirements are provided.

For more information regarding the 2018 HMDA requirement changes, please refer to the CFPB website: <https://www.consumerfinance.gov/data-research/hmda/>.

Manual Sections Affected: 705, 902, Ex 4, Ex16

MISCELLANEOUS

- **804, Liabilities – Ratios:** For manually underwritten loans, the second bullet under the Revolving Debt topic has been clarified to state *the greater of 5%* of the current balance, or \$10 should be used if no payment is stated on the credit report.

MANUAL SECTIONS UPDATED WITH THIS BULLETIN

201	Agency Fixed Rate
204	Agency Libor ARM
214	DU Refi Plus
215	LP Open Access
233	HomeReady
235	Home Possible
276	VA IRRRL
406	Desktop Underwriter
407	Loan Prospector
408	CRA Full Doc

410	Texas 50A6
411	Texas50F2
413	DU for Agency Jumbo
414	LP for Agency Jumbo
501.1	Appraisal Documentation
705	Citi UW
802	Loan Limits
803	Borrower Info
804	Liabilities/Ratios

805.2	Income-Self Employed
805.3	Income-Rental
805.4	Income-Non Employment
807	Credit
808	Property
902	Critical Docs
Ex 4	UW File Checklist
Ex 16	File Document Checklist

For more information, contact your National Client Services Team at 800-967-2205; the Correspondent Manual is available on our website - correspondent.citimortgage.com.

This communication is to keep you abreast of ongoing Citibank Correspondent program changes and is not an indication of your present or future approval status for selling loans to Citibank.

ENCRYPT CUSTOMER DATA: Lenders have a responsibility to protect consumer information. Maintaining confidentiality of such information is a top priority at Citibank. This responsibility includes improving controls around the storage and transmission of such information. Citibank requests that all loan data be encrypted whenever you send it to us via email. While Citibank cannot endorse a particular encryption tool please begin utilizing an appropriate encryption method with all future transmissions. Encryption should help minimize the risk of potential unauthorized viewing or use of such information.

The information contained in this Bulletin immediately (or as of any effective date indicated in the Bulletin) supplements and supersedes (to the extent there may be a conflict) the provisions of the Citibank Correspondent Loan Purchase Agreement and Citibank Correspondent Manual that govern each Loan submitted by Correspondent for Citibank's purchase after the date of the Bulletin. There may be a delay in the publication of any change to the Correspondent Manual required as a result of the information contained in the Bulletin. During the period of any such publication delay, the provisions of the Bulletin control over any conflicting provision of the Correspondent Manual.



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