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GENERAL CREDIT POLICY UPDATES

FOREIGN ASSETS

Effective Date: April 23, 2017; New Registrations

Policy has been added stating funds that are currently held or sourced from an account outside of a U.S. Banking Institution may be allowed under the following circumstances:

- Funds currently held in an account outside of a U.S. Banking Institution must be transferred into an account in the United States and verified in U.S. dollars prior to closing of the mortgage transaction. This includes funds that are transferred into an Escrow/Closing Agent account.
- Documents of foreign origin must be translated to English. Refer to Section 803 Borrower Information/Proof of Residency Status Verification Requirements for additional information.
- All assets being used for down payment, closing costs, pre-pays and reserves must be verified in a U.S. Banking Institution prior to closing.
- Foreign currency must be converted to U.S. dollars at the time the funds are transferred and received in the U.S.
- All assets must be verified prior to the transfer and the funds must be seasoned and sourced per the Verifying Assets section.
- It is important to look for patterns of behavior particularly when gift funds are involved. Some of the scenarios may include multiple transfers for smaller amounts and from various individuals instead of one wire transfer for the entire gift amount. It is important to pay attention to the amounts, account owner, etc.

Manual Section Affected: 806.2

MULTIPLE PROPERTIES: AGENCY LOANS

Effective Date: April 23, 2017; New Registrations

Per Fannie Mae DU Release 10.0 and Freddie Mac 2017-02, the DU and LPA notes applicable to Multiple Property policy have been revised to state:

- For DU loans, the DU Findings Report can be followed as long as an acceptable recommendation has been received.
- For LPA loans, the reserve requirement must be applied to the number of properties that the borrower is *obligated on* (change from owned or obligated).

Manual Section Affected: 809

DU FOR AGENCY LOANS: 2-UNIT PRIMARY RESIDENCE LTV CHANGE

Effective Date: April 23, 2017; New Registrations

The maximum LTV for a 2-unit primary residence decisioned via DU has been increased from 80% to 85% to align with Fannie Mae.

Manual Section Affected: 400

PROPERTY APPRAISALS: SALES COMPS

Effective Date: April 23, 2017; New Registrations

Per Fannie Mae 2017-01 and Freddie Mac 2017-3, policy regarding comparable sales of properties in new or recently converted subdivisions, condominiums or PUDs has been updated to state that two pending sales in lieu of one closed sale within the subject subdivision or project may now be used when there are no closed sales available within the subject subdivision or project.

Manual Section Affected: 501.2

CLARIFICATIONS

PAYROLL DEDUCTIONS

The Payroll Deductions topic has been clarified to indicate the bulleted information can be used to assist in determining whether the deduction represents a debt that must be included in the debt ratio (rather than require it).

Manual Section Affected: 804

4506-T REQUIREMENTS

The Processing and Analyzing the IRS 4506-T topic has been clarified to state the form is only required to be submitted and transcripts obtained when tax returns are being used to calculate *qualifying* income.

Manual Section Affected: 805

FANNIE MAE AND FREDDIE MAC HAR LOANS: C5 OR C6 CONDITION RATING

In the sections noted below, policy has been clarified to state that lenders may deliver Fannie Mae and Freddie Mac HAR loans on properties with a condition rating of C5 or C6 and/or quality rating of Q6 completed on an “as-is” basis. There is no requirement for the appraisal to be completed “subject to” repairs.

Manual Sections Affected: 214, 215, 501.2

RETIREMENT FUNDS

Policy addressing the use of retirement funds in the Funds to Close/Reserves topic has been clarified as follows:

- Retirement funds (IRA, 401k, etc.): 100% of the vested funds, less outstanding loans secured by the account funds can be used provided the underwriter verifies the ownership of the account and confirms that the account is vested and allows withdrawals regardless of current employment status. Refer to Source of Funds/Retirement Accounts for verification requirements.
- A note has been added for loans decisioned via LPA stating the LPA Feedback Certificate should be referenced for the appropriate contribution requirements.

Manual Section Affected: 806.1

DU PROPERTY INSPECTION WAIVERS

A Note has been added to the DU Property Inspection Waiver section stating “If an appraisal is obtained for the transaction, a PIW may not be exercised.”

Manual Section Affected: 501.1

DAY 1 CERTAINTY

The following clarification for Day 1 Certainty has been added to the sections listed below:

For transactions that receive Day 1 Rep & Warrant Relief, follow DU documentation and FNMA guide requirements indicated for Day 1 Certainty.

Manual Sections Affected: 406, 413

COUNTERPARTY RISK MANAGEMENT: DELEGATED TIERS

Clarification has been added to the AUS Agency Delegated definition allowing the following AUS recommendation:

Approve/Ineligible and Accept/Ineligible recommendations are permitted when the DU Findings or LPA Feedback Certificate indicate the property type is a cooperative property.

Manual Section Affected: 703

REMINDERS

DISASTERS – NATURAL AND MAN-MADE

The Correspondent represents and warrants that the properties securing all loans submitted to Citi for purchase have not been negatively impacted by any natural or man-made disaster as of the date Citi purchases the loan.

The Correspondent also represents and warrants that the borrower's credit qualifications for the underlying loan have not been negatively impacted by any natural or man-made disaster as of the date Citi purchases the loan.

If Citi discovers a breach of the Correspondent's representations and warranties in either of the situations described in the preceding paragraph, the Correspondent is obligated to repurchase the loan. The Correspondent agrees to notify Citi immediately upon discovery that the property underlying a loan has been negatively affected by any such disaster.

Manual Section Affected: 504

MISCELLANEOUS UPDATES

- **805, Income-General:** The Age of Federal Tax Returns topic has been updated to reflect 2017 dates.

MANUAL SECTIONS UPDATED WITH THIS BULLETIN

214	DU Refi Plus
215	LP Open Access
400	LTV Matrixes
406	Desktop Underwriter
413	DU for Agency Jumbo
501.1	Appraisal

	Documentation
501.2	Appraisal Evaluation
501.2	Appraisal Evaluation
504	Disasters-Natural & Man-made
703	Delegated UW

804	Liabilities/Ratios
805	Income-General

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

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