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CREDIT POLICY UPDATES

HOME READY UPDATES

Effective Date: May 26, 2019; New Registrations

Updates reflecting changes announced in Fannie Mae SEL Announcements 2019-02 and -03 have been made to Citi policy as follows:

- The borrower may have no more than two financed properties, including the subject property.
- Rental Income may be considered under certain circumstances as defined in the Rental Income section.
- Boarder income requirements have been updated to state that the boarder may not have an ownership interest in the property.
- Credit requirements for manually underwritten loans have been updated and simplified.

Manual Section(s) Affected: 233, 805.4, 805.3

HOME POSSIBLE UPDATES

Effective Date: May 26, 2019; New Registrations

Per Freddie Mac 2019-7, occupancy requirements for the Home Possible Program have been updated as follows:

- There is a maximum limit of two financed properties, including the subject property.
- There is no limitation on ownership of other property for non-occupant borrower(s).

Manual Section(s) Affected: 235

SOCIAL SECURITY: VERIFYING INCOME

Effective Date: May 26, 2019; New Registrations

Social security verification requirements for manually underwritten transactions have been updated to align with QM. When the borrower is drawing Social Security benefits from their own account/work record, the Social Security Administrator's (SSA) Award letter is required as documentation.

Manual Section(s) Affected: 805.4

RENTAL INCOME: LEASE AGREEMENTS

Effective Date: May 26, 2019; New Registrations

Per Freddie Mac 2019-5, Rental Income policy has been updated to state leases must be current and fully executed with a minimum original term of one year in order to be used for calculating income.

Manual Section(s) Affected: 805.3

RECURRING DEBT: ALIMONY AND MAINTENANCE PAYMENTS

Effective with Closed Loan Packages submitted on/after June 3, 2019

According to Freddie Mac Bulletin 2019-5, alimony and maintenance payments with more than 10 payments remaining must be deducted from the borrower's gross monthly income for both LPA and manually underwritten Freddie Mac transactions. The reduced monthly income amount should be used to qualify the borrower.

Child support will continue to be treated as a debt when calculating the monthly debt payment-to-income ratio.

Manual Section(s) Affected: 804

RETIREMENT ASSETS USED AS QUALIFYING INCOME: FREDDIE MAC TRANSACTIONS

Effective Date: May 26, 2019; New Registrations

Per Freddie Mac Bulletin 2019-7, the following calculation must be used for LPA and manually underwritten Freddie Mac transactions to determine monthly qualifying income: divide the net eligible assets by 240 (formerly 360) to determine the amount of qualifying income.

Manual Section(s) Affected: 804

LPA TRANSACTIONS: SECOND HOMES

Effective Date: May 26, 2019; New Registrations

Per Freddie Mac Bulletin 2019-7, the AUS note applicable to LPA Loans in Citi's Occupancy/Second Home topic has been updated to state the LPA Feedback Certificate can be followed when an Accept Credit Risk classification has been received.

Manual Section(s) Affected: 809

CLARIFICATIONS

DU TOLERANCES

Clarification has been added to DU resubmission requirements and now addresses when the DTI is greater than 45% and the increase is less than 3%.

Manual Section(s) Affected: 406

REMINDERS

CO-OP ASSIGNMENTS

As communicated in Bulletin 2018-13, Citi's assignment requirements for co-ops are as follows:

- The Secured Party on the UCC1 must be in the name of the Correspondent.
- A UCC3 assignment is required to assign the UCC1 to Citibank, N.A., 1000 Technology Drive, O'Fallon, MO 63368.
- **Citi no longer accepts a UCC1 or UCC3 with MERS listed as the Secured Party.**

Manual Section(s) Affected: 902.1, 907

ADVERSE ACTION REQUIREMENTS

As stated in Section 2201 of the Correspondent Manual, when Citi completes a manual underwrite (available for non-delegated execution or on a pre-approved exception basis only) and issues a notice to the Correspondent declining to purchase the proposed loan and either no credit is offered to the Correspondent's applicant or the applicant does not expressly accept or use the credit offered, then the Correspondent must issue the adverse action notification on behalf of Citi and identify Citi as a creditor that participated in the credit decision.

If Citi issues a notice to the Correspondent declining to purchase a proposed Loan, Citi may request documentation from the Correspondent, including, but not limited to, copies of relevant adverse action notices or evidence that the borrower accepted an offer of credit for such a loan or that such a loan has subsequently closed.

See the Equal Credit Opportunity Act topic for complete details.

Manual Section(s) Affected: 2201

MISCELLANEOUS UPDATES

- **601-Condo Projects:** Policy has been updated to reflect that Freddie Mac Condo Project Advisor is not permitted.
- **271-VA Fixed/ARM & 276-VA IRRRL:** References to various outdated Circulars have been removed from the VA fact sheets.
- **409-MCC & RMCC:** Section has been updated to reflect that Loan Product Advisor is an eligible process type.

MANUAL SECTIONS UPDATED

| | |
|-----|---------------------|
| 233 | HomeReady |
| 235 | Home Possible |
| 271 | VA Fixed and ARM |
| 276 | VA IRRRL |
| 400 | LTV Matrixes |
| 406 | Desktop Underwriter |

| | |
|-------|------------------------|
| 409 | MCC / RMCC |
| 501.2 | Appraisal Evaluation |
| 601 | Citi Project Approval |
| 602 | Limited Project Review |
| 606 | Lender Full Review |
| 804 | Liabilities/Ratios |

| | |
|-------|-----------------------|
| 805.3 | Income-Rental |
| 805.4 | Income-Non Employment |
| 809 | Occupancy |
| 2201 | Legal Compliance |

For more information, contact your National Client Services Team at 800-967-2205. The Citi Correspondent website is also available for all of your pipeline management needs at correspondent.citimortgage.com.

This communication is to keep you informed 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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