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CREDIT POLICY UPDATE(S)***TEXAS DISASTER APPRAISAL REQUIREMENTS – NON-DELEGATED TRANSACTIONS***

Effective: Immediately; New Registrations and Existing Pipeline

On February 11, 2021, Texas experienced a disaster incident. Due to the unique nature of this incident, additional clarifications to our standard disaster policy apply to **Non-Delegated transactions for Texas properties**. For properties located in a designated disaster area where the appraisal was completed prior to the disaster, the following guidelines will apply, and must be met prior to closing.

Rate/Term Refinances:

- Must have a conversation with the borrower to determine if any damage has occurred; and
- Photos provided by the borrower must be obtained to confirm there is no damage; OR
- An interior inspection¹ must be completed as indicated below

Purchases and Cash Out Refinances:

- An interior inspection¹ must be completed. The interior inspection must address if the property has been damaged, and if the damage affects the safety, soundness, or structural integrity of the property.
 - If the property has been damaged and the damage does not affect the safety, soundness, or structural integrity of the property, confirm that the repair items are covered by insurance.
 - Obtain documentation of the professional estimates of the repair costs; and
 - Ensure that sufficient funds are available for the borrower's benefit to guarantee the completion of the repairs.
- Note:** The repairs do not need to be completed prior to the loan closing
- If the property was damaged and the damage is uninsured and/or the damage affects the safety, soundness, or structural integrity of the property, the property must be repaired before the loan is closed. A final inspection² is required to evidence all repairs have been made, prior to closing.

NOTE: For FHA loans, refer to the 4000.1 and for VA loans refer to [VA Policy Regarding Natural Disasters](#).

¹ When Citi's Appraisal Guidelines require an interior property inspection, and/or photos by the inspector, we will permit the following modified methods for providing interior photos as outlined below when the borrower and/or the property inspector expresses concerns about performing an onsite inspection of the subject property due to COVID-19 impact

- Interior photos will still be required; however, they can be supplied by the borrower, broker/agent, and /or property manager, OR
- The inspector may request that the Property Contact arrange for a "virtual inspection" via a live stream video call with an individual who is currently on-site. Cell phone cameras may be used along with an application such as Skype.
- All photos regardless of the source noted above, should include images of the following areas:
 - Areas that have damage; and
 - Kitchen; and
 - Bathrooms; and
 - Living Area

² For loans for which a completion certification is not available due to issues related to COVID-19, we will permit a letter signed by the borrower confirming that the work was completed. In addition, further evidence of completion must be provided, such as photographs of the completed work, paid invoices indicating completion, occupancy permits, or other substantially similar documentation. This documentation should be provided to the lender, not the inspector. The underwriter must review the documentation to ensure required work has been completed. The documentation should be included in the loan file.

Manual Section(s) Impacted: 504

SECOND HOMES AND INVESTMENT PROPERTIES: CONFORMING TRANSACTIONS

Effective Date: Immediately; New Registrations and Existing Pipeline

Pursuant to Fannie Mae Lender Letter 2021-08, all agency second home and investment property transactions must be run through DU or LPA. Manually underwritten transactions are no longer permitted.

Manual Section(s) Impacted: 401

SALE OF ASSET REQUIREMENTS

Effective Date: March 21, 2021; New Registrations

Per Fannie Mae LL 2020-07, documentation requirements have been updated for borrowers who use income from the sale of a personal asset to qualify as shown (*italics represent changes*).

Proceeds received from the sale of the borrower's personal assets may be considered as long as the borrower can provide evidence that s/he:

- Owned the asset, *for all asset types that are titled assets, for example automobile title;*
- Has documentation to support the value of the asset, *as determined by an independent source, if the proceeds represent more than 50% of the total monthly income used in qualifying. The lesser of the estimated value (as determined by the independent source) or actual sales price must be used when determining the amount of funds for the transaction. For example, a borrower plans to sell their vehicle. The value as determined by an independent source is \$10,000; the sales price of the vehicle is \$12,000. Only \$10,000 can be added to the borrower's available funds, even if the sale has already occurred.*

Manual Section(s) Impacted: 806.2

RETIREMENT ASSETS USED AS QUALIFYING INCOME

Effective Date: March 21, 2021; New Registrations

Updates have been made to reflect changes in documentation requirements for retirement income and employment-related assets used as income. Additionally, the requirement that only 70% of the value of retirement assets in the form of stocks, bonds, and mutual funds can be used for income calculation has been removed.

Manual Section(s) Impacted: 805.4

GROUP HOME: RESIDENTIAL MORTGAGE ELIGIBILITY

Effective Date: March 21, 2021; New Registrations

Group Homes may be considered for a residential mortgage provided the borrower is an individual or living trust (i.e. natural-person). Eligibility and pricing for a group home should be the same as currently provided under the respective occupancy (e.g., primary residence, second home, or investment property).

The sections listed below have been updated to note that Group Homes are permitted under these conditions.

Manual Section(s) Impacted: 808.2, 808.3

FHA TRANSACTIONS: DACA BORROWER ELIGIBILITY

Effective Date: January 19, 2021; New Registrations

FHA will permit individuals classified under the Deferred Actions for Childhood Arrivals” program (DACA) with the U.S. Citizenship & Immigration Service (USCIS) and are legally permitted to work in the U.S. are eligible to apply for mortgages backed by the FHA. Policy has been updated to reflect this.

Manual Section(s) Impacted: 803

NOTICE(S)***CITI SYSTEM TRANSITION***

In accordance with our 3/1/2021 announcement regarding Citi’s transition to a new external website and originations system, updates have been made throughout the manual adding references to the new Correspondent Lending Portal and the system transition in general as well as temporary pricing policy changes applicable to Best Efforts loans registered on the retiring Correspondent Website.

IRS 4506-C

In accordance with Agency communications on this topic, Citi originally communicated the 4506-C would be required with loans closed on/after March 1, 2021 in Bulletins 2021-01 and 2021-02. As Fannie Mae and Freddie Mac have recently pushed this date back to May 1, 2021, Citi is amending the 4506-C requirement. Use of the 4506-C is encouraged now, but it becomes a requirement for loans closed on/after May 1, 2021.

CLARIFICATION(S)***AGE OF FEDERAL TAX RETURNS***

The Age of Tax Returns topic has been clarified to ensure that the most recently filed tax returns are obtained and analyzed when determining the Borrower’s stable monthly income.

Manual Section(s) Impacted: 805

PRO-RATED REAL ESTATE TAXES

Per Fannie Mae LL 2020-07, policy addressing the treatment of pro-rated real estate tax credits has been clarified to state the credit cannot be used towards the borrower’s minimum required funds for the transaction.

Manual Section(s) Impacted: 808

MANUAL SECTIONS UPDATED

401	Standard
504	Disasters-Natural & Man-made
803	Borrower Info
805	Income-General

805.4	Income-Non Employment
806.2	Assets-Source of Funds
808	Property

808.2	Age-Only Deed Restrictions
808.3	Deed Restricted Properties
EX 12	Visa Classifications

For more information, contact your assigned [Client Services Consultant \(CSC\)](#) or [Account Executive \(AE\)](#).

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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