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**CREDIT POLICY UPDATE(S)*****AGENCY & NON-AGENCY TRANSACTIONS: STUDENT LOAN PAYMENTS***

Effective Date: September 30, 2021; New Registrations and Existing Pipeline

The following revisions to policy addressing student loan payments were published on Monday, 10/4/21.

**Agency Transactions:**

For all student loans the monthly payment should be calculated using the payment amount provided on the credit report.

If the credit report does not reflect the correct monthly payment, the following may be used to qualify the borrower:

- The monthly payment reflected on the student loan documentation (i.e., a copy of the installment loan agreement or the most recent student loan statement); or
- 1% of the outstanding balance, as reported on the credit report.

**Non-Agency Transactions:**

Repayment of all student loans must be included in the debt-to-income ratio, except:

- 10 or fewer payments remain; or
- Payments are deferred for at least 12 months, the payment amount that will be required once the deferment or forbearance period has ended must be included as part of the borrower's recurring monthly obligations.

For deferred installment debt less than 12 months, the payment amount that will be required once the deferment or forbearance period has ended must be included as part of the borrower's recurring monthly obligations.

If the credit report does not reflect a payment or the correct monthly payment, the following may be used to qualify the borrower:

- The monthly payment reflected on the student loan documentation (i.e., a copy of the installment loan agreement, a direct verification from the creditor or the most recent student loan statement.

OR

- 1% of the outstanding balance, as reported on the credit report.

**Note:** Customer provided documentation (i.e., most recent student loan statement) may be used to support a different monthly payment amount than what's reflected on the credit report. A credit report supplement may be used to resolve further discrepancies.

Manual Section(s) Impacted: 804, 1508.3

**NON-AGENCY: LARGE DEPOSITS**

Effective Date: September 30, 2021; New Registrations and Existing Pipeline

Policy updates were published on 9/30/21 to the Source of Funds/Asset Verification Requirements topic defining large deposits requirements for both purchase and refinance transactions.

**Purchase Transactions:**

The Source of funds must be explained and documented if the deposit is needed to meet requirements for Borrower's cash to close and or reserves for the following:

- A single deposit on the account statements that exceeds 50% of the total monthly qualifying income. If the source of a large deposit is readily identifiable on the account statement where the source of the deposit is printed on the statement, the underwriter does not need to obtain further explanation or documentation. If the source of the deposit is printed on the statement, but the Underwriter still has questions as to whether the funds may have been borrowed, the underwriter should obtain additional documentation.

**Note:** When a single deposit includes both verified and unverified funds as defined above, only the unverified funds are used to determine the 50% requirement. (Example: The borrower has a monthly income of \$4,000 and an account at ABC Bank with a balance of \$20,000. A deposit of \$3,000 is identified, but only \$2,500 is documented as coming from the borrower's federal income tax refund, leaving \$500 unverified [the deposit of \$3,000 minus \$2,500], which is 12.5% of the borrower's \$4,000 monthly income, falling short of the 50% definition of a large deposit. Therefore, in this example the full \$20,000 can be used to qualify.)

**Refinance Transactions:**

Documentation or explanation for large deposits is not required; however, any liabilities resulting from all borrowed funds must be considered when qualifying the borrower.

Manual Section(s) Impacted: 1508.4

**CREDIT CARD REWARD POINTS USED FOR SOURCE OF FUNDS**

Effective Date: October 10, 2021; New Registrations

Per Fannie Mae 2021-07, policy now reflects that credit card reward points that have been converted to cash prior to closing are acceptable funds for use towards closing costs, down payment, and financial reserves. The following requirements apply and have been added to policy:

- If the reward points are converted to cash and deposited into the borrower's depository account (checking or savings), no additional documentation is required unless the deposit is considered a large deposit. In that event, follow the requirements for evaluating large deposits.
- If the reward points are converted to cash, but not deposited into the borrower's depository account, the lender must provide the evidence the reward points were:
  - Available to the borrower prior to the conversion, including verification of the cash value (for example, credit card reward statement prior to conversion); AND
  - Converted to cash prior to the closing of the loan.

Manual Section(s) Impacted: 806.2, 1508.4

**AGENCY DELAYED FINANCING POLICY**

Effective Date: October 10, 2021; New Registrations

In accordance with Freddie Mac 2021-27, revisions have been made to the requirements for a cash-out refinance mortgage when none of the borrowers have been on the title to the subject property for at least six months prior to the note date, the borrower did not obtain a mortgage secured by the subject property when purchasing the property and is seeking delayed financing.

- The preliminary title search or report must *reflect the Borrower as the owner of the subject property and* must not reflect any existing liens on the subject property.
- *Additional cash-out is permitted only after all borrowed funds are paid off.*
- *If borrowed funds are only paid down, no additional cash-out is permitted.*

All other requirements for delayed financing remain the same.

Manual Section(s) Impacted: 810

**RATE/TERM REFINANCES: PROHIBITED PRACTICES**

Effective Date: October 10, 2021; New Registrations

The clarification below has been added to the Agency and Non-Agency Rate/Term Refinance topic, in accordance with Fannie Mae 2021-07:

The transaction is not eligible as a rate/term refinance if the borrower completed a cash-out refinance transaction with a note date 30 days or less prior to the application date of a new refinance on the same property.

Manual Section(s) Impacted: 810, 1508.1

**ELECTRONIC CLOSINGS**

Effective Date: Immediately; New Registrations and Existing Pipeline

Citi no longer permits closings using Remote Income Notarizations (RIN) or Remote Online Notarizations (RON). This policy has been documented in a new manual section within Chapter 900.

Manual Section(s) Impacted: 916

**NOTICE(S)****BEST EFFORTS CRA PREMIUMS**

Effective Friday, October 8, 2021, the loan limit ceiling for Best Efforts transactions is being removed from CRA premium eligibility criteria. Our Best Efforts rate sheet and CRA eligibility and premium schedule documents have been updated to reflect this change.

**CLARIFICATION(S)****EAD ELIGIBILITY: NPR TRANSACTIONS**

The EAD classifications below have been updated to be eligible for NPR transactions.

- CO8 – Asylum applicant w/pending asylum application who filed for asylum on or after January 4th, 1995
- C22 – Alien who has filed a completed legalization application under INA 245A

Manual Section(s) Impacted: Ex 12A

**MISCELLANEOUS**

- **808.3 Deed Restricted Properties:** Policy addressing deed restrictions has been clarified to identify what types of deed restrictions are permitted for co-op properties.
- **270 FHA Fixed/ARM:** HUD recently incorporated several Mortgagee Letters into their manual. The FHA fact sheet has been updated to refer to the 4000.1 rather than these individual MLs.
- **501 Appraisal Guidelines:** Illegal & Non-Conforming Use topic has been added back to this section.

**MANUAL SECTIONS UPDATED**

270	FHA Fixed and ARM
806.2	Assets-Source of Funds
808	Property

808.3	Deed Restricted Properties
810	Eligible Transactions
916	Admin Misc

1508.1	NA Eligibility/Transaction Types
1508.4	Source of Funds
Ex 12a	EAD Eligibility

For more information, contact your assigned Client Services Consultant (CSC) or Account Executive (AE).  
As a reminder, the [Correspondent Lending Portal](#) is available 24/7 for all of your pipeline management needs.

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.

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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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