

Correspondent Mortgage Bulletin

Information for Correspondent Lenders of SunTrust Mortgage, Inc.

February 7, 2014 • COR14-017



Alert

Update

Reminder

Clarification

Training
Information

Preview

Agency Underwriting Guideline Revisions Provide Clarity and Better Alignment with Investor Requirements

SunTrust Mortgage, Inc. announces several Agency underwriting guideline revisions and clarifications. These updates and clarifications provide additional flexibility, consistency, and efficiency in the processing of underwriting documentation.

Intended Audience

Origination Processing	Secondary Marketing	Underwriting	Closing Delivery Funding	Compliance Legal	Other
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Effective Dates

Monday, February 10, 2014

All updates are effective for loan applications dated on or after this date.

Background Information

SunTrust Mortgage recently conducted a review of Agency asset, income, credit, and liability guidelines for all underwriting methods. We identified opportunities to clarify existing guidelines and to implement revisions to align more closely with investor requirements for best execution and better client experience.

Bulletin Details

Impacted Loan Programs

Updates outlined in this bulletin impact the following loan programs:

- Standard Agency
- Agency Plus
- Texas Cash-Out Refinance [50(a)(6)]
- DU Refi Plus™ transactions where guidance currently reverts to standard Agency guidelines

Note: Review the before-and-after matrices subsequently presented in this bulletin for a detailed overview of the impacted loan programs per update and underwriting method (i.e., non-automated underwriting system [non-AUS], Fannie Mae's Desktop Underwriter [DU], and Freddie Mac's Loan Prospector [LP]).

Action Required

Origination, Processing, Secondary Marketing, Underwriting, Closing, Delivery, Funding, Compliance, and Legal Starting February 10, 2014

Apply the new guidelines outlined in the Bulletin Details and related Before-and-After Matrices for loan applications dated on or after this date.

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Bulletin Details, continued

Income Guideline Updates

A summary of the updates include:

- Revised age of employment and income documentation as follows:
 - For existing and new construction, employment and income documentation cannot be more than 120 days old prior to the date the note is signed.
- Revised guidance regarding employment and income verification documentation that may be provided by the borrower, by the borrower's employer, or by a third party employment verification vendor.
- Added guidelines regarding the evaluation of variable income (e.g., hourly pay, overtime, bonus, commission) including history of receipt, frequency of payment, and income trending.
- Revised and clarified continuity of income requirements, including specific identification of the types of income that do/do not require the documentation of a three-year continuance.
- Alimony or Child Support Income: For non-AUS loans, reduced the history of receipt requirement from 12 months to six months. Receipt of this income for less than six months is no longer permitted.
- For non-AUS and DU transactions, revised documentation requirements for commission income based on the percentage of commission income to total employment income.
- Added guidelines for Housing or Parsonage Income.
- Mortgage Credit Certificates are no longer an eligible income source.
- For transactions with non-occupant co-borrower income:
 - For non-AUS transactions, removed the maximum 35% HTI ratio requirement for the occupant borrower. The occupant borrower must now qualify separately at a DTI ratio of 45%.
 - For DU transactions, revised guidelines to reflect that information on income and employment is not considered in the DU analysis.
 - Clarified down payment requirements for the occupant borrower.
- Notes Receivable Income: Clarified that payments on notes executed within the last 12 months may not be used to qualify the borrower.
- Revised rental income documentation requirements.
 - Non-AUS and DU documentation requirements are now the same.
 - Non-AUS and DU guidance has been added regarding the use of lease agreements in lieu of tax returns when there is no prior history of receipt of the rental income, or if the tax return does not include a full year of rental income.
- Added guidelines for Royalty Payment Income.
- Revised Tax Exempt Income guidance.
- For military personnel, in lieu of a verbal VOE or verification through the online Defense Manpower Data Center's website, a Leave and Earnings Statement only is now permitted; the Alive and Well Certification requirement has been removed.
- Revised and clarified LP streamlined and standard income documentation requirements for various income types.

Note: Additional income guideline updates apply. Review the before-and-after matrix subsequently presented in this bulletin for a detailed overview of all income updates.

Asset, Credit, Liability, and Other Underwriting Updates

A summary of the updates include:

- Revised age of credit reports and asset documentation as follows:
 - For existing and new construction, credit reports and asset documentation cannot be more than 120 days old prior to the date the note is signed.
- Revised the types of asset documentation that may be used to verify that a borrower has sufficient funds for closing, down payment, and/or financial reserves.

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Bulletin Details, continued

Asset, Credit, Liability, and Other Underwriting Updates, continued

- Removed the overlay for DU transactions that previously required co-signed debt and court-assigned debt to be included in the borrower's liabilities.
- Clarified the naming for Experian's Fair Isaac Risk credit score model as Fair Isaac Risk Model V2SM.

Note: We are making the above update for clarification only and consistency with the Agencies' published wording. The Experian Fair Isaac Risk Model V2SM and New Experian Fair Isaac Model (FICO II) are the same.

- Clarified when the borrower's LTV is less than 80%, the borrower's entire minimum contribution may come from a gift of equity.
- For installment land contracts, revised requirement from "recorded" to "executed" in regards to documentation and seasoning.
- For judgements, garnishments, and liens:
 - Removed the requirement for a letter of explanation for non-AUS and DU transactions.
 - Revised DU specific guidance to indicate that the credit report does not need to reflect the re-establishment of credit.
 - Provided guidance regarding documenting the satisfaction of these liabilities, including guidance regarding determining the payoff amount.
- Revised the mortgage assumptions topic to include guidance regarding Property Settlement Buyouts. Guidelines were also revised to more closely align with Agency guidance, including the removal of the overlay for DU transactions that previously required mortgage assumptions to be included in the borrower's liabilities.
- DU disputed tradelines guidelines were reworded for clarity and alignment with Agency guidelines.

Before-and-After Matrices

[Click here](#) to see the before-and-after matrix that provides a detailed overview of all income updates effective for loan applications dated on or after February 10, 2014.

[Click here](#) to see the before-and-after matrix that provides a detailed overview of the asset, credit, liability, and other underwriting updates effective for loan applications dated on or after February 10, 2014.

Revised Materials

Click [Agency Loan Programs](#), [Key Loan Program](#), [Credit Vendor and Reporting Guidelines](#), [Income Analysis](#), [Verbal Verification of Employment Guidelines](#), and [Correspondent Agency Credit Overlay Matrix](#) to review the revised product materials.

Note: The Key product description previously referred back to standard Agency non-AUS guidelines for installment land contract and contracting income guidance. SunTrust Mortgage did not adopt the revised Agency installment land contract and contracting income guidance for the Key loan program. As a result, we are updating this product description to include the current installment land contract and contracting income guidelines.

Former Guidelines

See the before-and-after matrices provided in the Bulletin Details section to access the former guidelines.

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Other Resources

Support Group	Description and Contact Information:
Account Manager or Correspondent Relations Coordinator	Specific questions on applying this procedure to specific loan files. Direct contact information for each account manager or correspondent relations coordinator is located in General Section 1.01: The Correspondent Division
Resource Center	Provides phone and email support on products, policies, and procedures as well as new product rollout and existing product enhancement. Contact the Resource Center at 800.382.2111, Option 1, Option 2.

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