

Correspondent Mortgage Bulletin

Information for Correspondent Lenders of SunTrust Mortgage, Inc.

April 4, 2014 • COR14-037



Alert

Update

Reminder

Clarification

Training Information

Preview

Principal Curtailment Requirements Change

SunTrust Mortgage, Inc. increases the allowable principal curtailment amount for loans within the Agency product set; principal curtailments at closing equal to the lesser of \$2,500 or 2% of the new loan amount are acceptable. Additionally, revised guidelines reflect the disallowance of principal curtailments on Veterans Administration (VA) and Key Loan programs. Veterans using the VA Loan Program may still receive cash-in-hand under certain circumstances as outlined in the VA product description.

Intended Audience

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

Friday, April 4, 2014
Effective for loans closing on or after this date.

Background Information

A principal curtailment is the application of funds used to reduce the unpaid principal balance of the new mortgage loan. Investors Fannie Mae and Freddie Mac permit such curtailments for limited cash-out (i.e., rate/term) refinances, including DU Refi Plus™ transactions. To allow lenders greater flexibility at the time of loan closing, SunTrust Mortgage increases the allowable principal curtailment amount on loans originated within the Agency product set.

Bulletin Details

Eligible Transactions

SunTrust Mortgage permits principal curtailments, not to exceed the lesser of \$2,500 or 2% of the loan amount for the subject loan, on the following loan programs:

- Agency
- Agency Plus
- DU Refi Plus

Note: As a reminder, for DU Refi Plus loans, the borrower may only receive up to \$250 cash back at closing.

Action Required

Origination, Processing, Underwriting, Closing, Delivery, and Funding As of April 4, 2014
Follow current guidelines.

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Bulletin Details, continued

Ineligible Transactions

SunTrust Mortgage no longer permits principal curtailments on the Veterans Administration (VA) and the Key Loan Programs, regardless of the amount. As a reminder, veterans using the VA Loan Program may still receive cash-in-hand under certain circumstances as outlined in the VA product description.

Note: Federal Housing Administration (FHA) 203(b) Loan Program is unaffected by this change. SunTrust Mortgage continues to allow principal curtailments that occur as a result of excess funds from premium pricing.

Requirements for Applying a Principal Curtailment

For the eligible programs previously identified, the following requirements apply:

- If the HUD-1 reflects the borrower receiving more cash back than permitted for the transaction, the lender can apply a principal curtailment for the excessive cash back. This is to reduce the amount of cash back to the borrower, thus bringing the loan into compliance with the maximum cash-back requirement. Otherwise, recalculate the loan amount and update the loan documents.
 - If the lower loan amount based on the principal curtailment would result in the removal or reduction of required MI or a loan pricing adjustment, then recalculate the loan amount.
- The maximum amount of the principal curtailment cannot exceed the lesser of \$2,500 or 2% of the loan amount for the subject loan.
 - When a principal curtailment is made at the time of closing, document the reason for the principal curtailment and the amount on the HUD-1.
 - Do not reflect the principal curtailment amount on any other loan documents (i.e., GFE, TIL, and 1003); rather, only show the maximum allowable cash back to the borrower.
 - For loans processed through Fannie Mae's Desktop Underwriter® (DU) or Freddie Mac's Loan Prospector® (LP), do not reflect the principal curtailment amount or show the principal curtailment amount as cash back to the borrower in DU or LP. Only reflect the maximum allowable cash back to the borrower.

Revised Materials

Click [Correspondent Government Credit Overlay Matrix](#), [Agency Loan Programs](#), [DU Refi Plus™ Loan Program](#), [Key Loan Program](#), [Veterans Administration VA Loan Program](#), and [Loan Delivery and Purchase Review](#) to view the revised materials.

Former Guidelines

Previously, SunTrust Mortgage allowed principal curtailments up to \$500 on Agency, Agency Plus, DU Refi Plus, VA, and Key Loan programs.

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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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