

Correspondent Mortgage Bulletin

Information for Correspondent Lenders of SunTrust Mortgage, Inc.

May 9, 2014 • COR14-051



Alert

Update

Reminder

Clarification

Training
Information

Preview

Enhancements Provide Clarity to Conventional Loans

In January 2014, SunTrust Mortgage, Inc. implemented various underwriting guidelines in order to meet new Consumer Financial Protection Bureau (CFPB) requirements. At this time, we made minor revisions to subordination guidance, ability-to-repay, and income validation in order to provide further clarity to Agency, Key, and Jumbo Solution Second Mortgage Loan Programs. Additionally, for Key and Jumbo Solution, we revised various guidelines for liabilities and secondary financing, as well as income topics such as, housing/parsonage income, royalty payment income, self-employed borrowers relocating to a different geographic area, and written or faxed verification of employment.

Intended Audience

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

Friday, May 9, 2014
Effective for new applications dated on or after this date.

Background Information

SunTrust Mortgage identified several clarifications and updates to our Agency, Key Loan Program and Jumbo Solution Second Mortgage product guidelines because of the CFPB implementation in January 2014. We also identified opportunities to provide better clarity on various income-related topics for our Key Loan and Jumbo Solution Second Mortgage products.

Bulletin Details

Subordination of SunTrust Mortgage Equity Lines and Equity Loans

- Ratios are calculated on ALL subordination requests, regardless of the original loan program. The maximum debt-to-income (DTI) ratio is calculated based on the borrower's gross monthly income and credit score, as outlined in the tables below:

Action Required

Origination, Processing, Underwriting, Closing, Delivery, and Funding Starting May 9, 2014
Apply these guidelines to loans with applications dated on or after this date.

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Bulletin Details, continued

Subordination of SunTrust Mortgage Equity Lines and Equity Loans, continued

Home Equity Lines – Debt to Income			
Credit Score			
Monthly Income	=/> 720	660-719	< 660
=/< \$3,000	40%	40%	35%
\$3,001 - \$5,500	50%	45%	40%
\$5,501 - \$8,000	50%	50%	45%
> \$8,000	50%	50%	50%

Home Equity Loans – Debt to Income			
Credit Score			
Monthly Income	=/> 720	660-719	< 660
=/< \$3,000	40%	40%	35%
\$3,001 - \$5,500	43%	43%	40%
\$5,501 or More	43%	43%	43%

Ability-to-Repay Guidelines

To meet Ability-to-Repay requirements, the underwriter must fully validate that the borrower(s) total monthly DTI ratio (including all debts as disclosed and verified by credit report/Verification of Loan (VOL)/Verification of Mortgage (VOM)/etc [debts may or may not appear on the credit report but may appear on the application and/or title binder]) does not exceed 43% or allowable DTI based on Automated Underwriting System (AUS) findings except on an FHA or VA loan. See qualifying DTI guidelines for the appropriate product.

Income Validation Guidelines

- For the Key Loan Program, the most recent two-year's tax returns are required.
- For Agency Loan Programs, the most recent one or two year's transcript and/or tax returns as required by Agency guidelines and/or AUS findings are required. However, when evaluating an income variance, additional years may be required.

Liabilities Guidelines for Key and Jumbo Solution Second Mortgage Loans

- For Home Equity Lines of Credit (HELOCs), use the greater of 1% of the full line amount or the payment as reflected on the credit report or the borrower's monthly HELOC statement as the qualifying payment.
- Borrowers may not pay off or payoff and close open-ended or revolving debt in order to qualify.

Secondary Financing Guidelines for Key and Jumbo Solution Second Mortgage Loans

- Secondary Financing must have regular monthly payments of principal and interest or interest only and payments must be included in the DTI ratio.

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Bulletin Details, continued

[Secondary Financing Guidelines for Key and Jumbo Solution Second Mortgage Loans, continued](#)

- Secondary financing (new or existing) which could impose a penalty for prepayment is not acceptable unless:
 - the loan is a HELOC and the amount of the prepayment penalty, prepayment fee, account closure fee, account termination fee, etc., does not exceed \$500.00, or
 - the subordinate loan is a HELOC, or closed-end second mortgage where the lender paid for some or all of the borrower's closing costs and allows the lender to recoup the closing costs if the client pays the HELOC or closed-end second mortgage off early, or
 - the prepayment penalty clause has lapsed.
- For existing secondary financing, the financing lender cannot have the ability to call the loan due and payable within the first five years after the note date of the first lien.

[Income Guidelines for Key and Jumbo Solution Second Mortgage Program](#)

[Click here](#) to access the new and revised guidelines for the following income-related topics:

- written or faxed verification of employment,
- housing/parsonage income,
- rental income,
- retirement income,
- royalty payment income,
- self-employed borrowers relocating to a different geographic area, and
- verification of employment for salaried borrowers.

[Revised Materials](#)

Click [Key Loan Program](#), [Income Validation](#), [Subordination of SunTrust Second Mortgage Loans](#), [Underwriting](#), [Verbal Verification of Employment Guidelines](#), and Ability-to-Repay/Qualified Mortgage Underwriting Checklist ([COR 1460](#)) to review the revised materials.

Former Guideline

[Click here](#) for a before and after matrix to see the former guidelines, except for the income guidelines. See the income matrix provided in the Bulletin Details section above to access the former income guidelines.

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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