

Correspondent Mortgage Bulletin

Information for Correspondent Lenders of SunTrust Mortgage, Inc.

August 15, 2014 • COR14-085



Alert

Update

Reminder

Clarification

Training
Information

Preview

DU[®] 9.1 Revisions and Other Agency Enhancements

SunTrust Mortgage, Inc. announces the release of updates to Fannie Mae's Desktop Underwriter (DU) Version 9.1. With this DU 9.1 release comes several DU guideline revisions that impact various Agency loan programs. We also announce the release of additional Agency enhancements and clarifications for non-automated underwriting system (non-AUS) and Freddie Mac Loan Prospector (LP) transactions.

Intended Audience

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

Friday, August 15, 2014

The following guideline updates and/or clarifications are effective immediately for new and existing loan applications on or after this date: bankruptcy, construction-permanent single closing transactions, collections and non-mortgage charge-offs, investment properties, past due accounts, retirement income, sales proceeds, second homes, Single Family Comparable Rent Schedule, and DU Refi Plus credit history requirements.

Saturday, August 16, 2014

Deed-in-Lieu of Foreclosure, Foreclosure, Short Sale, Mortgage Charge-off, and Property Inspection Waiver updates are effective for new loan applications on or after this date.

Background Information

This weekend, Fannie Mae will release updates to their DU Version 9.1. In response to this DU release and Fannie Mae announcements SEL 2014-06 and SEL 2014-10, we reviewed certain Agency guidelines for all underwriting methods to identify opportunities to align more closely with investor requirements. We also reviewed certain Agency guidelines to confirm alignment with previously published guidance.

Our review concluded that the release of these enhancements and clarifications would simplify our guidelines to be more competitive, while managing risk to our business, and providing increased financing opportunities for our borrowers.

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Bulletin Details

Impacted Loan Programs

The updates outlined in this bulletin impact the following loan programs:

- Standard Agency
- Agency Plus
- DU Refi Plus™ non-STM to STM transactions
- Texas Cash-Out Refinance

Notes:

- 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.
- Guidelines remain unchanged for the Jumbo Solution Second and Key loan programs.

Summary of Updates

A summary of the updates are as follows:

- Clarified non-AUS and DU bankruptcy guidelines
- Revised the allowable age of credit documentation (from 12 months to 18 months) for certain DU processed, construction-permanent single closing transactions
- Revised credit history requirements for DU Refi Plus non-STM to STM transactions:
 - Borrowers are no longer required to comply with the waiting period and re-establishment of credit criteria following a bankruptcy, foreclosure, deed-in-lieu of foreclosure, or short sale.
 - Investigation of bankruptcies or foreclosures declared by the borrower in the Declarations section of the loan application is not required. Investigate all other declarations.
- Revised deed-in-lieu of foreclosure guidelines:
 - Clarified guidelines for non-AUS and LP transactions
 - For DU transactions, revised the waiting period requirements to require a four-year waiting period (two-year waiting period permitted if the event was due to extenuating circumstances). In addition, we will now measure the waiting period from the completion date of the event to the disbursement date of the new loan transaction.
- Revised foreclosure guidelines:
 - Revised the listing of indicators that identify a foreclosure, for non-AUS, DU, and LP transactions
 - When there is conflicting or inaccurate foreclosure information provided on a foreclosure, deed-in-lieu of foreclosure, or short sale credit report tradeline, the underwriter may instruct DU to disregard the conflicting or inaccurate information.

Action Required

Origination, Processing, Secondary Marketing, Underwriting, Closing, Delivery, Funding, Compliance, and Legal Starting August 15, 2014

Apply the revised guidance outlined in this bulletin.

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Bulletin Details, continued

Summary of Updates, continued

- When DU identifies a foreclosure on a credit report tradeline and the foreclosure was due to extenuating circumstances, the underwriter may instruct DU to disregard the foreclosure information on the credit report.
- Revised collections and non-mortgage charge-off account guidelines for non-AUS and LP transactions
- Established new guidelines to specifically address charge-offs of mortgage accounts for non-AUS, DU, and LP transactions
- Clarified past due account guidelines for non-AUS and DU transactions
- Revised Property Inspection Waiver (PIW) guidelines to indicate that a PIW is not eligible on one-unit investment property transactions where rental income from the subject property is being used to qualify the borrower
- Revised retirement income guidelines to include reference to SEP accounts for non-AUS and DU transactions
- For non-AUS and DU transactions, revised sales proceeds guidelines to reflect that a HUD-1 is not required to be “fully-executed” by all parties (in recognition of the fact that the seller of a property may not receive a “fully-executed” copy of that HUD-1). At a minimum, the HUD-1 needs to be signed by the seller and settlement agent
- Revised short sale guidelines:
 - Clarified guidelines for non-AUS transactions
 - For DU transactions, revised the waiting period requirements to require a four-year waiting period (two-year waiting period permitted if the event was due to extenuating circumstances). In addition, we will now measure the waiting period from the completion date of the event to the disbursement date of the new loan transaction.
- Clarified guidelines for the Single-Family Comparable Rent Schedule
- Clarified second home and investment property guidelines to align with the following guidance previously announced in [COR14-067](#)
 - For newly constructed second home and investment properties, the borrower cannot be affiliated with the builder, developer, or property seller.

Before-and-After Matrices

[Click here](#) to see the before-and-after matrix that provides a detailed overview of the updates effective immediately for existing and new loan applications on or after August 15, 2014.

[Click here](#) to see the before-and-after matrix that provides a detailed overview of the updates effective for new loan applications on or after August 16, 2014.

Revised Materials

Click [Agency Loan Programs](#), [DU Refi Plus' Loan Program](#), [Key Loan Program](#), [Appraisal Guidelines](#), [Short Sale and Restructured Mortgage Loans](#), [Correspondent Agency Credit Overlay Matrix](#), [Correspondent DU Refi Plus Credit Overlay Matrix](#), and DU Refi Plus™ Loan Program Eligibility Checklist (Non-STM to STM) ([COR 1385](#)) to review the revised materials.

Note: Key loan program sales proceeds guidelines previously referred back to standard Agency non-AUS guidelines. Key loan program guidelines remain unchanged; therefore, we incorporated the following existing sales proceeds guidance into the Key product description:

- The borrower must provide a copy of the fully executed HUD-1 Settlement statement at the closing of the home being sold, to verify the source of funds.
- When the borrower's employer assumes responsibility for paying off the existing mortgage in connection with a corporate relocation plan, a copy of the executed buy-out agreement may be used to document the source of funds.
- A copy of a sales contract or a listing agreement may not be used as verification of the proceeds from the sale.

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Former Guideline

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

Other Resources

Support Group	Description and Contact Information:
Correspondent Relations Coordinator	Specific questions on applying this procedure to specific loan files. Direct contact information for each correspondent relations coordinator is located in General Section 1.01: The Correspondent Division.
Emerging Banker Account Executive	Specific questions on applying this procedure to specific loan files. Direct contact information for each account executive 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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