

Correspondent Mortgage Bulletin

Information for Correspondent Lenders of SunTrust Mortgage, Inc.

August 29, 2014 • COR14-089



Alert

Update

Reminder

Clarification

Training
Information

Preview

Flood Insurance Requirements for Condos in SFHAs

SunTrust Mortgage, Inc. aligns with Fannie Mae regarding flood insurance requirements for attached condominium projects located in Special Flood Hazard Areas (SFHAs) and clarifies flood insurance guidance for attached and detached condominiums located in SFHAs for all loan programs.

Intended Audience

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

Friday, August 29, 2014
Effective with new and existing applications on or after this date.

Background Information

Fannie Mae published Announcement SEL2013-07, detailing changes in the requirements for flood insurance on attached condominium projects located in SFHAs and clarifications to Home Affordable Refinance Program (HARP) condominium flood insurance requirements for condos located in SFHAs. SunTrust Mortgage updates our guidance to reflect these changes and align flood insurance requirements for attached and detached condominiums located in SFHAs for all loan programs.

Bulletin Details

Flood Insurance – Condominiums

Flood insurance is required for loans secured by an individual residential condominium unit, including the units located in a multi-story condominium building, if the condominium building is located in an SFHA where flood insurance is available under the National Flood Insurance Program (NFIP).

Action Required

Origination, Processing, Underwriting, Closing, Delivery, Funding, Compliance, and Legal
Starting Friday, August 29, 2014
Follow published guidance.

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Bulletin Details, continued

Flood Insurance – Condominiums, continued

There are three types of flood insurance policies issued by FEMA through the NFIP:

- The “Dwelling Form” policy provides coverage for 1-4 unit residential properties.
- The “General Property Form” policy provides coverage for non-residential properties.
- The “Residential Condominium Building Association Policy (RCBAP)” is a master policy that provides coverage for a single residential condominium building. It covers both the common elements and the individual units within the building.

RCBAP Policy Limits: The maximum amount of building coverage that may be purchased on a residential condo building under the RCBAP is the replacement cost value of the building or total number of units in the condo building multiplied by \$250,000, whichever is less.

If the condominium building is not covered by an RCBAP (or an equivalent private insurance policy approved by SunTrust Mortgage), or if the coverage provided under the RCBAP is not equal to at least the lesser of the building’s replacement cost or the maximum available under the NFIP, the borrower may ask the condominium association to obtain coverage or increase coverage sufficient to meet this requirement. If the condominium association refuses, the condominium unit is not eligible for financing unless:

- The loan program allows a condominium unit owner to cover their portion of any shortfall in the association’s coverage or allows a condominium unit like the subject to be insured under an individual FEMA Dwelling Form policy; AND
- The borrower obtains a FEMA Dwelling Form policy on their condominium unit covering at least their portion of any shortfall in the condominium association’s coverage.

In addition to the general requirements listed above, SunTrust Mortgage provides specific flood insurance requirements for attached and detached condominiums for the following loan programs:

- Agency (non-HARP),
- DU Refi Plus™,
- Portfolio (Key and Jumbo Solution Second),
- FHA, and
- VA

[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 29, 2014.

Condominium Master Flood Insurance Policies – RCBAP

- The documentation required is a copy of the declarations page showing sufficient coverage for the building containing the subject condominium unit.
- The SunTrust Mortgage mortgagee clause is not required on RCBAP policies.

Revised Materials

Click [Hazard and Flood Insurance](#) to view the revised material.

Former Guideline

Previously, product specific flood insurance guidance did not exist, and guidance did not reflect STM did not have to be named as mortgagee on the RCBAP.

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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
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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