

Product Support Bulletin



Information for Correspondent Lenders of SunTrust Mortgage, Inc.
December 12, 2014 • COR14-113

Alert

Update

Reminder

Clarification

Training
Information

Preview

DU[®] Version 9.2 Release and Other Agency Revisions

SunTrust Mortgage, Inc. announces the release of Fannie Mae's Desktop Underwriter (DU) Version 9.2. Additionally, we announce revisions to our Agency product guidelines (for all underwriting methods) to more closely align with recently announced Fannie Mae and Freddie Mac updates and to reflect other Agency guideline improvements.

Intended Audience

Origination
Processing

Secondary
Marketing

Underwriting

Closing
Delivery
Funding

Compliance
Legal

Other

Effective Dates

Friday, December 12, 2014

All DU Version 9.0 loans must be closed by the Correspondent Lender and purchased by SunTrust Mortgage by this date.

All condominium specific updates are effective for new loan applications on or after this date.

Except as indicated below, all other updates are effective immediately for existing and new loan applications on or after this date.

Saturday, December 13, 2014

Fannie Mae retires DU Version 9.0.

For manually (i.e., non-AUS) underwritten Agency loans, the revised life insurance cash value guidelines are effective for new loan applications on or after this date. For DU processed Agency loans, the revised life insurance cash value guidelines are effective for loan casefiles submitted to DU version 9.2 on or after this date.

Monday, December 15, 2014

Effective for locks on or after this date, the new maximum 80% LTV/TLTV/HTLTV for 1-unit, primary residence, fully amortizing, fixed rate, cash-out refinance transactions apply for manually underwritten and DU-processed Agency loans.

Background Information

On October 14, 2014, Fannie Mae announced the upcoming release of DU Version 9.2. Fannie Mae also recently announced updates impacting several Agency guidelines in the following publications: Fannie Mae Announcements SEL-2014-06, 2014-07, 2014-11, and 2014-13. Additionally, Freddie Mac recently announced updates impacting several Agency guidelines in the following publications: Freddie Mac Bulletins 2014-12, 2014-15, and 2014-18. In response to all of these updates, we identified opportunities to implement revisions to align more closely with Fannie Mae and Freddie Mac requirements.

We are also addressing the feedback you provided regarding the presentation of our guidelines. We continue to modify our guidelines to more closely reflect the Agencies' language to ensure that there are no unintentional differences when we are fully aligning and to be transparent regarding the small number of SunTrust Mortgage overlays that will be maintained.

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Bulletin Details

Impacted Loan Programs

Updates outlined in this bulletin impact the following Agency loan programs:

- Standard Agency
- Agency Plus
- DU Refi Plus™
- Texas Cash-Out Refinances [50(a)(6)] First Mortgages

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.

Fannie Mae DU Version 9.2 Release Updates

A summary of the DU 9.2 release updates are as follows:

- For primary residence, 1-unit, fully amortizing, fixed rate, cash-out refinance transactions, reducing the maximum LTV/TLTV/HTLTV from 85% to 80%
- Revising asset guidelines for life insurance cash value as follows:
 - If an insurance company payout is used for the down payment or closing costs, the borrower's receipt of the funds from the insurance company must be documented.
 - If the cash-value of the life insurance is being used for reserves, the cash-value must be documented, but does not need to be liquidated and received by the borrower.
 - The amount entered in the Cash Value field in the Life Insurance section of the online loan application will be included in the borrower's Total Available Assets.
- New and revised DU messaging including, but not limited, to the following:
 - Revised Maximum Number of Financed Properties Message
 - New Pending Sale Property Message
 - Modified Excessive Value Message
 - Updated message related to liabilities with no payment included
- Changes to the DU Underwriting Findings Report
 - The Summary Section of the DU version 9.1 and DU version 9.2 DU Underwriting Findings Report and the DU Underwriting Analysis Report will now include indicators for clarity. [Click here](#) to view a screenshot of the DU Underwriting Findings, which identifies the new indicators in red.

Action Required

Origination, Processing, Secondary Marketing, Underwriting, Closing, Delivery, Funding, Compliance, and Legal By December 12, 2014

Review existing pipeline of non-AUS and DU-processed Agency primary residence, 1-unit, fully amortizing, fixed rate, cash-out refinance transactions with LTV/TLTV/HTLTVs 80.01-85% to ensure they are locked by this date.

Correspondent Lenders must close all DU Version 9.0 loans by this date.

SunTrust Mortgage must purchase all DU Version 9.0 loans by this date.

Starting December 12, 2014

Apply the guidelines outlined in the Bulletin Details and related before-and-after matrices.

Product Support Bulletin

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Bulletin Details, continued

Retirement of DU Version 9.0

DU Version 9.0, which went into production the weekend of October 20, 2012, will be retired when DU Version 9.2 is released the weekend of December 13, 2014. Correspondent Lenders must close all DU Version 9.0 loans by December 12, 2014 or obtain an updated underwriting recommendation by submitting a new loan casefile to DU Version 9.2 after the weekend of December 13. In addition, all DU Version 9.0 loans must be purchased by SunTrust Mortgage by December 12, 2014.

DU casefiles created in DU Version 9.1 and resubmitted after the weekend of December 13, 2014 will continue to be underwritten through DU version 9.1. However, SunTrust Mortgage will apply the new maximum 80% LTV/TLTV/HTLTV cap for 1-unit, primary residence, fully amortizing, fixed rate, cash-out refinance transactions to both new (DU 9.2) and existing (DU 9.1) DU casefiles locked on or after December 15, 2014.

Important Note: After the weekend of December 13, 2014, DU casefiles created in DU Version 9.0 and resubmitted to DU will no longer be underwritten through DU version 9.0.

Other Agency Guideline Revisions

A summary of the updates are as follows:

- Revising condominium guidelines as follows:
 - Clarified that information required to warrant a condominium can be obtained primarily from the appraisal report and the appropriate condominium questionnaire
 - Removed reference to an arbitration agreement under the listing of additional documents that can assist in warranting a condominium project (or phase)
 - Removed the eligibility of Reciprocal Project Reviews from our Fannie Mae Condominium Approval guidelines
 - Revised Freddie Mac condominium requirements to reflect that if the requirements for any of the acceptable project review types are met, then the requirements for any of the other project review types are not applicable. For example, if a loan qualifies for a streamlined project review, the project does not need to meet the review requirements for an established project review.
 - Revised Freddie Mac condominium Reciprocal Project Review and Streamlined Project Review requirements
- Incorporating guidance regarding Higher Priced Covered Transactions
 - As part of the Qualified Mortgage regulation, the CFPB introduced a new category of higher priced transactions, in addition to higher priced mortgage loans (HPML) for determination of legal liability. Higher Priced Covered Transactions (HPCT) include loans for other consumer purposes, including the purchase or refinance of a second home and a cash out refinance of an investment property.
 - SunTrust Mortgage will not purchase or fund loans for the purchase or refinance of a second home or cash out refinances for investment properties that fail the HPCT test.
- For non-AUS transactions:
 - Reducing the maximum LTV/TLTV/HTLTV from 85% to 80% for primary residence, 1-unit, fully amortizing, fixed rate, cash-out refinance transactions, to align with the previously referenced DU 9.2 update
 - Revising asset guidelines for life insurance cash value to align with the previously referenced DU 9.2 updates
 - Revising disputed tradeline requirements
- For non-AUS and DU transactions, updating the age of asset, income, and credit documentation requirements

Product Support Bulletin

Information for Correspondent Lenders of SunTrust Mortgage, Inc.
December 12, 2014 • COR14-113



Bulletin Details, continued

Other Agency Guideline Revisions, continued

- For non-AUS, DU, and LP transactions:
 - Updating the Maximum Financed Properties and Borrower Exposure subtopic to incorporate guidance regarding the borrower's percentage of ownership in an LLC when determining if the property should be included or excluded from the borrower's total financed property ownership count
 - Revising appraisal related requirements regarding the information provided to the appraiser
 - Updating the naming conventions of the acceptable versions of the FICO score obtained from the three major credit bureaus
 - Revising income documentation requirements
 - Revising properties listed for sale requirements
 - Revising continuity of obligation requirements
 - Revising guidelines regarding sales proceeds
 - Revising flood insurance requirements for non-residential detached structures
 - Revising our Electronic Signature requirements to permit the use of a power of attorney on any transaction in which an eSignature is used on a sales contract.
 - Revising guidelines within the following topics to align with Agency requirements:
 - 30-Day Accounts
 - Cash-Out Refinance
 - Limited Cash-Out (Rate/Term) Refinances
 - Occupancy Types / Second Homes
 - Seasoning Requirements

Note: We removed the Seasoning Requirements topic and incorporated all applicable seasoning requirements into other underwriting guideline sections (i.e., continuity of obligation, cash-out refinance, limited cash-out refinance, etc.) to align more closely with Fannie Mae and Freddie Mac published requirements.

 - Student Loans
 - Verbal Verifications of Employment (VVOE)

- For LP transactions, incorporating new guidelines allowing third-party vendor verifications of asset and depository information

All other updates made were in support of our guideline improvements initiative (i.e., adopting Agency specific language, eliminating redundancies, and underlining overlays in the updated topics).

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Bulletin Details, continued

Impact of Updates to our Agency Overlays

With the release of the above referenced updates, we removed a total of 24 Agency overlays!

Before-and-After Matrices

[Click here](#) to see the before-and-after matrix that provides a detailed overview of the updates effective immediately with new applications on or after December 12, 2014.

[Click here](#) to see the before-and-after matrix that provides a detailed overview of the updates effective immediately with new and existing applications on or after December 12, 2014.

[Click here](#) to see the before-and-after matrix that provides a detailed overview of the updates effective for new manually underwritten applications and for loan casefiles submitted to DU version 9.2 on or after December 13, 2014.

[Click here](#) to see the before-and-after matrix that provides a detailed overview of the update effective with locks on or after December 15, 2014.

Revised Materials

Click [Agency Loan Programs](#), [DU Refi Plus™ Loan Program](#), [Appraisal Guidelines](#), [Compliance Overview](#), [Condominium and PUD Approval Requirements](#), [Credit Vendor and Reporting Guidelines](#), [Hazard and Flood Insurance](#), [Maximum Number of Financed Properties and Borrower Exposure](#), [Non-Permanent Resident Alien Requirements](#), [Verbal Verification of Employment](#), [Correspondent Agency Overlay Matrix](#), and [Correspondent DU Refi Plus Overlay Matrix](#) to review the revised product materials.

Former Guidelines

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.
Product Support	Provides phone and email support on products, policies, and procedures as well as new product rollout and existing product enhancement. Contact Product Support at 800.382.2111, option 4.

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