

Product Support Bulletin

Information for Correspondent Lenders of SunTrust Mortgage, Inc.
January 23, 2015 • COR15-007



Alert

Update

Reminder

Clarification

Training
Information

Preview

Acceptable Proof of Initial Flood Insurance

SunTrust Mortgage, Inc. provides guidelines for acceptable proof of initial flood insurance for single-family residences, 2-4 unit properties and planned unit developments (PUD), the definition and requirements for the Grandfathering and Preferred Risk Eligibility Policy, and clarification to mortgagee clauses for Condominium Master Flood Insurance Policies – Residential Condominium Building Association Policies (RCBAP).

Intended Audience

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

Friday, January 23, 2015
Effective for loans closing on or after this date.

Background Information

As SunTrust Mortgage, Inc. increases its focus to foster client delight with our correspondent lenders, we identified an opportunity to provide clear guidance and requirements for loans requiring flood insurance.

Bulletin Details

Acceptable Proof of Initial Flood Insurance

For single-family residences, 2 - 4 units and PUDs, review the flood application and/or policy for the following information:

- Policy Form/Type:
- Policy Number
- Name of Insured
- Property
- Flood Zone
- Coverage Amount
- Homeowner's Policy
- Flood Insurance Policy

Grandfathering and Preferred Risk Eligibility Extension Policy

Loans secured by property in a SFHA cannot close or be purchased without FEMA flood insurance in the required amount. Additionally, the flood zone on the policy must match the flood zone on the determination, unless the property is grandfathered OR the property is eligible for a Preferred Risk Eligibility Extension Policy.

Action Required

Origination, Processing, Underwriting, Closing, Delivery, Funding, Compliance, Legal and Emerging Banker Lenders Starting Friday, January 23, 2015
Follow published guidance.

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Bulletin Details, continued

Grandfathering and Preferred Risk Eligibility Extension Policy, continued

FEMA covers Grandfathering and Preferred Risk Eligibility Extension Policy under the remapping effort to modernize the flood mapping process. As a result, FEMA will remap properties that were previously in a low-risk zone into a higher-risk zone or they change the Base Flood Elevation. This means a property may now require flood insurance or flood insurance at a higher premium due to the increased risk. FEMA allows lower cost policies for two years to allow homeowners to adjust to the higher premiums.

When the flood zone on the determination, differs from the flood zone on the flood insurance policy, you must review the rating section of the flood insurance policy to see if the grandfathering option indicates "Y" or "Yes."

If blank, and the agent states the policy qualifies to be grandfathered, the agent must provide a Change Endorsement Form adding the grandfathered status to the policy. If the policy cannot be grandfathered, the policy zone must be changed to match the flood determination. This may result in a delay because some insurance companies require the flood policy be re-underwritten using the new flood zone. It may also result in increased premiums for the borrower.

Preferred Risk Eligibility Extension Policy

When the flood zone on the determination, differs from the flood zone on the flood insurance policy, you must review the rating section of the flood insurance policy, review the rating section of the flood insurance policy to see if there is a clear statement that it is a Preferred Risk Eligibility Extension policy. In addition, the policy must reflect the Rating Zone of X, B, or C and the Current Zone of A or V. If either the eligibility description or the current flood zone is missing, the agent must provide an updated Declaration Page in order for the low risk Rating Zone to be accepted.

Borrower disputing the flood determination has two options:

- Obtain flood coverage and cancel post-closing, if it is ultimately determined flood insurance is not required, OR
- Wait to close until dispute has been resolved.

Condominium Master Flood Insurance Policies – Residential Condominium Building Association Policy (RCBAP)

As an added clarification to the RCBAP guidelines:

- The subject building coverage must be adequate and in place at the time of closing.
- The documentation required is either a copy of the current policy or the declaration page.

Note: It is not required that SunTrust Mortgage be named as a mortgagee on a Residential Condominium Building Association Policy (RCBAP).

Revised Materials

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

Former Guidelines

- Previously, we used the term Grandfathering and Preferred Risk Policies, instead of Grandfathering and Preferred Risk Eligibility Extension Policy. Additionally, we did not publish the level of detail the lender needs to meet our expectation for such policies.
- Previously, we indicated the way to document the grandfathering and preferred risk policy was by marking the blank with an "N" or a "Y," without providing guidance on requirements if the line was left blank.

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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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