

Product Support Bulletin

Information for Correspondent Lenders of SunTrust Mortgage, Inc.
January 30, 2015 • COR15-009



Alert

Update

Reminder

Clarification

Training
Information

Preview

Additional Agency Overlay Relief!

SunTrust Mortgage, Inc. announces the removal of 39 Agency overlays! We announce revisions to several Agency product guidelines to more closely align with Fannie Mae and Freddie Mac requirements and to reflect other guideline improvements. In addition, we remove outdated guidance related to electronic signatures, credit score requirements for cash-out refinance transactions, and seasoning requirements.

Intended Audience

Origination
Processing

Secondary
Marketing

Underwriting

Closing
Delivery
Funding

Compliance
Legal

Other

Effective Dates

Friday, January 30, 2015

Certain updates are effective immediately for new applications only on or after this date.

Certain updates are effective immediately for both existing and new loan applications on or after this date.

See the before-and-after matrices provided in the Bulletin Details section for additional information.

Background Information

SunTrust Mortgage recently reviewed all Agency guidelines to determine where we can further align with investor requirements. We are presenting our next installment of overlay relief and guideline simplification to be competitive and to offer market contemporary terms.

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 maintained overlays.

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, underwriting method, and effective date.

Action Required

Origination, Processing, Secondary Marketing, Underwriting, Closing, Delivery, Funding, Compliance, and Legal Starting January 30, 2015

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

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Bulletin Details, continued

Guideline Updates

A summary of the updates are as follows:

- For LP transactions, revised the calculation method for cash reserves (for the subject property) to be based off of PITI rather than PITIA, to align with Freddie Mac's guidelines
- Revised construction lending – single-closing guidelines to align with Fannie Mae guidelines for non-AUS and DU transactions, except as follows:
 - Log homes remain ineligible properties for construction lending – single-closing transactions.

Important Notes:

- As a result of our alignment with Fannie Mae guidelines, rehabilitation lending – renovation (purchase and refinance) transaction guidelines have been removed in their entirety.
- We now allow Rehabilitation Lending – Tear Down transactions under standard construction lending – single-closing guidelines. Separate guidelines no longer exist.
- LP transactions remain ineligible.
- Revised construction lending – two-closing guidelines to align with Fannie Mae guidelines for non-AUS and DU transactions. LP transactions remain ineligible.
- Revised escrow waiver guidelines to remove the overlay that previously prohibited the waiver of escrow for special assessments levied against the property. Escrows for these assessments are now eligible for waiver; however, apply prudent underwriting to confirm that the borrower has the financial ability to handle large special assessments levied against the property. Overlays that remain are underlined.
- Revised guidance for the following topics to align with Fannie Mae and Freddie Mac guidelines for non-AUS, DU, and LP transactions:
 - business debt in the borrower's name
 - homebuyer education and counseling requirements
 - mortgage payments on previous home
 - unsecured loans
- Revised and expanded general underwriting guidance for non-AUS, DU, and LP transactions:
 - Retitled the existing "AUS Recommendations, Resubmissions, and Forms" topic title to "Underwriting the Borrower"
 - Revised AUS tolerances to align with Fannie Mae DU and Freddie Mac LP guidelines
 - Revised the resubmission to AUS (after closing and prior to purchase by SunTrust Mortgage) timeframe from 30 days to 60 days for DU transactions and 120 days for LP transactions
- Clarified alimony, child support, and maintenance payment (liability) guidelines to reflect that voluntary payments (with more than 10 months remaining) must also be included in the borrower's monthly debt payment
- Revised co-signed debt and court assigned debt guidelines to more closely align with Fannie Mae and Freddie Mac guidelines. Overlays that remain are underlined.
- Revised appraisal documentation requirements:
 - Revised the age of appraisal requirements. Overlays that remain are underlined.
 - For Agency Plus transactions, clarified the comparable sales requirements for properties in attached condominium projects to align with Fannie Mae guidelines
- Revised employer assistance guidelines to align with Fannie Mae and Freddie Mac requirements for non-AUS, DU, and LP transactions, except as follows:
 - If the financing terms provide for the employer to require full repayment of the debt if the borrower's employment is terminated (either voluntarily or involuntarily) before the maturity date of the subordinate financing, the borrower must have sufficient assets to pay off the outstanding balance of the employer subordinate financing in addition to the required funds to complete the transaction. If this requirement is not met, the employer subordinate financing is not eligible.

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Bulletin Details, continued

Guideline Updates, continued

- Incorporated guidance regarding Property Assessed Clean Energy (PACE) loans. Overlays are underlined.
- Clarified inter vivos trust guidelines for Texas Cash-Out Refinance 50(a)(6) first mortgages to align with Fannie Mae requirements

Other Guideline Improvements

All other updates made were in support of our guideline improvements initiative (i.e., adopting Agency specific language, eliminating redundancies, relocating guidance, removing outdated guidance, and underlining overlays in the updated topics). Examples include, but are not limited to, the following:

- Revised guidelines to adopt Agency (Fannie Mae and Freddie Mac) specific language and/or underline overlays for the topics shown below. Guideline intent remained the same.
 - Alimony, Child Support, and Maintenance Payment (income guidelines)
 - Authorized User Accounts
 - Cash Reserve Requirements
- Relocated the minimum and maximum loan amounts for all eligible transactions from the LTV/TLTV/HTLTV matrices to the new Minimum Loan Amount and Maximum Loan Amount topics
- Removed outdated guidance inadvertently maintained in our product guidelines to align with updates previously announced in Correspondent Bulletin [COR14-113](#):
 - In the Credit Score Requirements subtopic, removed reference to LTVs greater than 80% for primary residence, cash-out refinance transactions
 - Removed all references to the Seasoning Requirements subtopic. As a reminder, we previously removed the Seasoning Requirements subtopic 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.
 - Revised 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

Impact of Updates to our Agency Overlays and Agency & DU Refi Plus Overlay Matrices

With the release of the above referenced updates, we removed a total of 39 Agency overlays! We updated the Agency Overlay Matrix to reflect the overlays removed as a result of these updates. In addition, we also updated the Agency and DU Refi Plus Overlay Matrices to reflect the overlays we have maintained (that are related to the topics addressed in this bulletin), including those that previously existed; however, not previously reflected on the overlay matrices. We will continue to evaluate opportunities to remove overlays throughout the year.

Before-and-After Matrices

[Click here](#) to see the before-and-after matrix that provides a detailed overview of the updates effective immediately for new applications only on or after January 30, 2015.

[Click here](#) to see the before-and-after matrix that provides a detailed overview of the updates effective immediately for new and existing applications on or after January 30, 2015.

Revised Materials

Click [Agency Loan Programs](#), [Agency Plus](#), [DU Refi Plus™ Loan Program](#), [Texas Cash-Out \[\(50\(a\)\(6\)\] Refinance First Mortgages](#), [Automated Underwriting](#), [Underwriting](#), [Appraisal Guidelines](#), [Loan Delivery and Purchase Review](#), [Leasehold Estate Guidelines](#), [Electronic Signature Requirements](#), [Correspondent Agency Overlay Matrix](#), and [Correspondent DU Refi Plus Overlay Matrix](#) to review the revised product materials.

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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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