

Product Support Bulletin



Information for Correspondent Lenders of SunTrust Mortgage, Inc.
February 27, 2015 • COR15-013

Alert

Update

Reminder

Clarification

Training
Information

Preview

Agency Condominium/PUD Guideline and Other Updates

SunTrust Mortgage, Inc. allows Delegated Correspondent Lenders without a Fannie Mae Seller Servicer ID number to approve established condominium projects and PUDs! In addition, we implement Agency Condominium and PUD Project updates to remove overlays and align more closely with Agency's requirements.

Intended Audience

Origination
Processing

Secondary
Marketing

Underwriting

Closing
Delivery
Funding

Compliance Legal

Other

Effective Dates

Friday, February 27, 2015

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

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

Background Information

Fannie Mae published Selling Guide Announcements SEL-2014-13 and SEL-2014-10 which contained project eligibility and insurance updates. In response to these updates, we identified opportunities to implement revisions to align more closely with Fannie Mae requirements. We are also aligning more closely with Freddie Mac requirements. In addition, we are 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

Condominium and PUD Updates

Delegated Correspondent Lenders without a Fannie Mae Seller Servicer ID number may approve established condominium projects and PUDs.

Note: Delegated Correspondent Lenders without a Fannie Mae Seller Service ID number may continue to submit projects for review to the SunTrust Condominium Department.

Additionally, the SunTrust Mortgage Condominium Department contact information is updated in the Correspondent Seller Guide.

Action Required

Origination, Processing, Secondary Marketing, Underwriting, Closing, Delivery, Funding, Compliance, and Legal Starting February 27, 2015

Apply the guidelines outlined in the Bulletin Details.

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Bulletin Details, continued

Condominium and PUD Updates, continued

We are fully aligning with Fannie Mae and Freddie Mac project guidelines with the exception of two minor topics. We will be following Fannie Mae guidelines for non-automated underwriting (non-AUS) and Desktop Underwriter (DU) and Freddie Mac guidelines for Loan Prospector (LP). The structure will follow Fannie Mae's Selling Guide but both Agencies' verbiage has been adopted for clarity.

Fannie Mae eligibility guidelines embraced include:

- Reducing the presale requirement for new projects from 70% to 50%
- Extending the maximum 15% delinquency requirement from 30 days to 60 days
- Eliminating the PERS review requirement for projects with units < 400 square feet
- Increasing the maximum allowable commercial space from 20% to 25% and providing clarification on how this percentage is to be calculated
- Allowing smaller projects flexibility on the 10% maximum ownership by a single entity requirement
- Clarifying the restriction on non-incident business income
- Outlining the requirements for acceptable live/work units
- Allowing and clarifying the requirements concerning shared amenities
- Prohibiting projects operating as continuing care facilities (nursing homes, etc.)
- Providing further clarification on the condominium hotel definition
- Providing details on the acceptability of financing boat slips, cabanas and parking spaces
- Reducing the expiration date applicable to established projects to 180 days
- CPM and Full Review has been consolidated into one review method
- Obtaining a project EIN# for tracking purposes
- Prohibiting projects with mandatory third party club memberships
- Eliminating the following checklists:
 - *Florida Special Designation Condominium Approval Questionnaire* ([COR 0212FL](#)) and
 - *SunTrust Mortgage Limited Project Review Condominium Questionnaire* ([COR 0212LTD](#)).
- Allowing Correspondent Lenders to warrant a condominium project using SunTrust Certification of Project Compliance: Condominium Lender Warranties – Agency and Non-Agency Loan Products form ([COR 0212a](#)) or an equivalent form.

Fannie Mae Property Insurance Alignment Updates include:

- Adding Extended Replacement Cost as another method of insuring full replacement cost
- Adding Agreed Value Option as another method of addressing the coinsurance provision
- Adding "Confirmation of 100% Replacement Cost" methods that will be deemed acceptable to SunTrust Mortgage
- Adding qualifiers that Building Ordinance or Law Endorsement coverage is not required if it is not obtainable in the subject's market area or not applicable to the project
- Allowing a \$5,000 minimum amount of HOA funds that triggers the requirement for fidelity/crime insurance. If the calculated required amount of coverage is equal to or less than \$5,000, fidelity insurance is not required
- Providing guidance that fidelity/crime coverage must cover the management agent if the management agent handles the HOA's funds
- Requiring the fidelity/crime policy to have the HOA as the named insured
- Providing additional flexibility in verifying the financial control requirements for HOA funds in order to allow reduced fidelity/crime insurance coverage

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Maintained Overlays

- Freddie Mac LP Streamline reviews where an environmental problem is identified will follow Fannie Mae guidelines
- Co-ops and Single Wide Manufactured Homes in PUDs will remain ineligible

Additional Updates to Collateral Guidelines

SunTrust embraces investor requirements for new construction escrow completion and reorganizes components of the Correspondent Completion Escrow Guideline document Section 1.12 in support of our guideline improvements initiative to make it easier to locate guidelines and streamline redundancies.

Impact of Updates to our Agency Overlays and Agency Overlays Matrix

With the release of the above-referenced updates, we removed a total of 41 Agency overlays!

We updated the Agency Overlays Matrix to reflect the two overlays added as a result of these updates. We will continue to evaluate opportunities to remove overlays throughout the year.

Revised Materials

Click [Agency Loan Programs](#), [Agency Plus](#), [DU Refi Plus™ Loan Program](#), [Maximum Number of Financed Properties and Borrower Exposure Guideline](#), [Condominium and PUD Approval Requirements Guidelines](#), [Completion Escrow Guidelines](#), [Appraisal Guidelines](#), [Correspondent Agency Overlay Matrix](#), [Correspondent DU Refi Plus Overlay Matrix](#), Condominium Questionnaire ([COR 0216](#)), and SunTrust Condo/PUD Approval Request ([COR 0215](#)) to review the revised product materials.

Former Guidelines

Due to the extensive nature of the revisions, a before-and-after matrix has not been provided to detail the changes. In addition to revising the guidelines to align with Fannie Mae's latest bulletins on project guidance, below are some of the existing SunTrust overlays that are removed:

- For Correspondent Lenders without a Fannie Mae Seller-Servicer ID number, Established Condominiums must be approved by the SunTrust Mortgage Condominium Department.
- The expiration date for established condominium projects approvals was one year.
- Condo projects reviewed under the Limited Review method required Fidelity/Crime insurance.
- Multiple purchases of condominium units by one owner were counted as one sale when calculating the presale requirement.
- Fannie Mae's Florida Special Designation Condominium approvals must be reviewed by the SunTrust Mortgage Condominium Department.
- Previously, SunTrust guidelines did not fully align with the Agencies on New Construction Escrow Completion.

Additionally, the following forms were required:

- *Florida Special Designation Condominium Approval Questionnaire* ([COR 0212FL](#)) and
- *SunTrust Mortgage Limited Project Review Condominium Questionnaire* ([COR 0212LTD](#)).
- For all warrantable condominium units, the Certification of Project Compliance: Condominium/PUD Lender Warranties – Agency and Non-Agency Loan Products ([COR 0212a](#)) must have been completed and placed in the loan file. Use of an alternative equivalent form was not allowed.

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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.
Condo Desk	For general questions or additional information please email the SunTrust Mortgage Condominium Department at mortgage.condodesk@suntrust.com .

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