

Product Support Bulletin



Information for Correspondent Lenders of SunTrust Mortgage, Inc.
April 24, 2015 • COR15-024

Alert

Update

Reminder

Clarification

Training
Information

Preview

Agency Revisions and Additional Overlay Relief!

SunTrust Mortgage, Inc. revises Agency product guidelines to more closely align with recently announced Fannie Mae and Freddie Mac updates. Additionally, we announce our next installment of Agency overlay relief and guideline improvements. With this publication, we remove an additional 35 Agency overlays!

Intended Audience

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

Saturday, April 18, 2015

Disputed tradeline updates were effective for DU 9.2 loan casefiles submitted or resubmitted to DU on or after this date.

Friday, April 24, 2015

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

Background Information

Fannie Mae and Freddie Mac recently announced updates impacting several Agency guidelines in the following publications: Fannie Mae Announcements SEL-2014-07, 2015-02, 2015-03, and Freddie Mac Bulletin 2014-12. In response to these publications, we reviewed impacted guidelines for all underwriting methods. We identified opportunities to implement revisions to more closely align with Fannie Mae and Freddie Mac requirements, while managing risk to our business.

As previously announced in bulletin [COR15-021](#), we also update our guideline documents to incorporate revised DU disputed tradeline guidance.

Additionally, we continue to provide Agency overlay relief and guideline simplification to be competitive and to offer market contemporary terms.

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

Action Required

Origination, Processing, Secondary Marketing, Underwriting, Closing, Delivery, Funding, Compliance, and Legal

Starting April 24, 2015

Apply the guidelines that are effective immediately on or after this date. Continue to apply the revised disputed tradeline guidance.

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Bulletin Details, continued

Impacted Loan Programs, continued

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.

Guideline Updates

A summary of the updates are as follows:

- For Streamlined Accept LP transactions, aligned with Freddie Mac by removing the two-year tax return overlay requirement for the documentation of self-employment income; we now require the most recent year tax returns. Existing overlays we maintained are underlined.
- For non-AUS and DU transactions, aligned with Fannie Mae by incorporating new guidance regarding properties with solar panels.
 - If the property owner is the owner of the solar panels, standard eligibility requirements apply (for example, appraisal, insurance, and title).
 - If the solar panels are leased from or owned by a third party under a power purchase agreement or other similar arrangement, additional eligibility requirements apply.

Note: We are applying this same guidance to LP transactions as an overlay.

- Aligned documentation requirements with Fannie Mae and Freddie Mac on the following:
 - Foster care income
 - Temporary leave and short term disability income
 - The number of asset account statement requirements for the documentation of stocks, stock options, bonds, and mutual funds
- Revised installment land contract guidelines:
 - For non-AUS and DU transactions, aligned with Fannie Mae requirements by removing documentation and secondary financing overlays
 - For LP transactions, more closely aligned with Freddie Mac requirements. Existing overlays we maintained are underlined.
- For non-AUS and DU transactions, aligned with Fannie Mae by removing the overlay that previously prohibited interest and dividend income derived from business income
- For non-AUS, DU, and LP transactions, more closely aligned non-occupant co-borrower guidelines with Fannie Mae and Freddie Mac requirements. Updates include, but are not limited to, the following:
 - For non-AUS and DU transactions, added the definition of a non-occupant co-borrower
 - Removed the overlay that previously required a separate application for the non-occupant borrower

Note: Existing overlays we maintained are underlined.

- For DU transactions originated with a Property Fieldwork Waiver (PFW):
 - Aligned with Fannie Mae by removing overlays that previously prevented the use of a PFW on the following transactions:
 - Mixed use properties
 - Properties with rural characteristics
 - Transactions where an appraisal has been obtained
 - Eliminated the overlay requirement for the *Notice About Appraisal of Your Property* disclosure

Note: The existing overlay we maintained is underlined.

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Bulletin Details, continued

Guideline Updates, continued

- For LP transactions, aligned with Freddie Mac by removing the requirement for the *Earthquake Insurance Analysis Addendum* (Freddie Mac Form 465S) to the appraisal if the property is a condominium unit in a California moderate-risk zip code
- For non-AUS, DU, and LP transactions, removed the overlay requirement to take in consideration any potential increase in ground rent payments
- For non-AUS, DU, and LP transactions, added a new overlay indicating that an unexpired redemption period is an unacceptable exception, regardless if the title policy contains affirmative language that the lender will not suffer loss or damage as a result of the situation or recites them in Schedule B, Part II (subordinate exceptions)
- Updated condominium requirements as follows:
 - Clarified that there are no LTV ratio or occupancy restrictions for Limited/Streamlined Review eligibility for detached condo units
 - For attached units in a new or newly converted condominium project:
 - Expanded the definition of “substantially complete”
 - Clarified condominium legal document review requirements for condominium projects containing more than four residential units
 - Updated the listing of condominium project type codes to include all applicable delivery code requirements
- Updated cash reserve requirements as follows:
 - For non-AUS and DU transactions, clarified the additional cash reserve requirements for second home and investment property borrowers who own multiple financed properties
 - Aligned with Fannie Mae by removing the overlay for non-STM to STM DU Refi Plus Agency and Agency Plus transactions that previously required two months of reserves on each additional financed second home or investment property. All DU Refi Plus loans are now exempt from this requirement.
- Aligned secondary financing guidelines for all DU Refi Plus transactions with Fannie Mae requirements as follows:
 - We now allow new subordinate financing if it replaces existing subordinate financing
 - We now allow existing subordinate financing to be refinanced simultaneously as long as the new subordinate lien loan amount does not exceed the existing unpaid principal balance
- Removed the “Documenting a Modified HELOC” topic; however, Correspondent lenders must still obtain appropriate documentation (as determined by the underwriter) that the HELOC has been permanently modified for the loan file.

Other Guideline Improvements

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). Examples include, but are not limited to, the following:

- Revised the military income and permanently modified HELOC topics to adopt Agency (Fannie Mae and Freddie Mac) specific language and/or underline overlays. Guideline intent remained the same.
- Consistently reflected that 100% of government bonds and mutual funds may be used for reserves for LP transactions in all impacted guideline topics, as previously published in bulletin [COR15-009](#)
- Removed the “1099 Income” and “Union Income” specific topics to align with Fannie Mae and Freddie Mac’s presentation of this income guidance:
 - See the applicable income topic (i.e., commissions, dividends, self-employed, etc.) for 1099 income documentation guidance.
 - See the applicable income topic (i.e., 1099, salaried, self-employed, etc.), based on how the union worker is paid, for documentation guidance.

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Bulletin Details, continued

Before-and-After Matrices

[Click here](#) to see the before-and-after matrix that provides a detailed overview of the disputed tradeline updates effective for DU 9.2 loan casefiles submitted or resubmitted to DU on or after April 18, 2015.

[Click here](#) to see the before-and-after matrix that provides a detailed overview of the updates effective immediately for both new and existing loan applications on or after April 24, 2015.

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

With the release of the above referenced updates, we removed 35 Agency overlays!

We updated the Agency and DU Refi Plus Overlay Matrices 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 any new overlay and 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.

Revised Materials

Click [Agency Loan Programs](#), [Agency Plus](#), [DU Refi Plus™ Loan Program](#), [Appraisal Guidelines](#), [Condominium and PUD Approval Requirements](#), [Income Validation](#), [Leasehold Estate Guidelines](#), [Title Insurance](#), Agency Plus Loan Program Eligibility Checklist ([COR 0160](#)), DU Refi Plus™ Loan Program Eligibility Checklist for Current SunTrust Customer(s) (STM to STM) ([COR 0161](#)), DU Refi Plus™ Loan Program Eligibility Checklist (Non-STM to STM) ([COR 1385](#)), [Correspondent Agency Overlay Matrix](#), and [DU Refi Plus Overlay Matrix](#) to review the revised product materials.

Former Guidelines

See the before-and-after matrices 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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