

Product Support Bulletin

Information for Correspondent Lenders of SunTrust Mortgage, Inc.
May 29, 2015 • COR15-027



Alert

Update

Reminder

Clarification

Training
Information

Preview

Agency Revisions and Additional Overlay Relief

SunTrust Mortgage, Inc. revises Agency product guidelines to align with recently announced Fannie Mae updates. Additionally, we announce our next installment of Agency overlay relief and guideline improvements. With this publication, we remove an additional 47 Agency overlays; bringing our total number of Agency overlays removed November 2014 to date to over 220. What an accomplishment!

Intended Audience

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

Friday, May 29, 2015

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

Background Information

Fannie Mae recently announced updates in their Announcement SEL-2015-03 that impacted several Agency product guidelines. In response to this publication, we reviewed impacted guidelines for all underwriting methods. We identified opportunities to implement revisions to align with Fannie Mae and Freddie Mac requirements, while managing risk to our business.

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

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 May 29, 2015

Apply the guidelines outlined in this bulletin and related Before-and-After Matrices.

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Bulletin Details, continued

Guideline Updates

A summary of the updates are as follows:

- For DU loans, aligned with Fannie Mae by updating our bankruptcy and foreclosure guidelines to reflect that the waiting period ends on the disbursement date of the new loan. The waiting period is no longer measured using the credit report date as the end date.

Notes:

- DU will continue to use the date of the credit report to measure whether or not the applicable waiting period has been met. Since the credit report date may not result in an accurate calculation of the waiting period, use the disbursement date outside of DU to confirm that the waiting period has been met.
 - Existing overlays we maintained are underlined.
 - For LP loans, removed the allowable age of federal income tax returns overlay
 - For non-AUS and DU loans:
 - More closely aligned leasehold estate guidelines with Fannie Mae requirements. Leasehold estates remain ineligible for Freddie Mac LP transactions.
 - Revised non-arm's length guidelines to reflect the following revisions:
 - Updated the definition of a non-arm's length transaction to fully align with Fannie Mae
 - Removed property ownership, income, and assets documentation overlays
- Note:** Existing overlays we maintained are underlined.
- We now allow Community Seconds in conjunction with standard Agency (up to a maximum 95% TLTV) and Agency Plus (up to a maximum 90% TLTV) first mortgage products. Overlays are underlined.
 - Clarified cash reserve guidelines to reflect that cash proceeds from a cash-out refinance transaction on the **subject** property may not be used for reserves. However, cash proceeds from a cash-out refinance on a property **other than** the subject property may be used for reserves.
 - Clarified that rental income may be received from a borrower's second home if:
 - the rental income from the property is not used to qualify, and
 - the borrower continues to occupy the property as their second home, and
 - all other second home requirements are met
 - Aligned with Fannie Mae by stating that the ALTA short form on which the title policy is written must provide coverage equivalent to the 2006 ALTA standard form
 - More closely aligned short sale property purchase guidelines with Fannie Mae requirements. Overlays we maintained are underlined.
- For non-AUS, DU, and LP loans:
 - Added clarification that loans on properties in any U.S. territories are not eligible for purchase or funding
 - Modified existing ability to repay requirements to align with Agency GSE specific guidance

Important Note: Continue to determine that borrowers have a reasonable ability to repay a loan based on consideration and verification of factors indicative of a consumer's credit capacity, including income/assets, employment status, monthly housing payment (PITI, HOAs, and subordinate financing), other debt obligations, DTI, and credit history.

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Bulletin Details, continued

Guideline Updates, continued

- Clarified that refinancing a HELOC in first lien position may be considered a limited cash-out (rate/term) refinance transaction

Notes:

- For non-AUS and DU loans, the HELOC must be paid off completely; however, it is acceptable for the HELOC to remain open and subordinated to the new first mortgage.
 - For LP loans, the HELOC must be paid off completely and closed.
- Expanded guidelines to permit a legal guardian (in addition to a parent) to provide housing for their physically handicapped or developmentally disabled child and treat the occupancy as a primary residence
 - Removed SunTrust Mortgage specific guidance for properties purchased at auction; these properties now follow standard Agency guidance with the following exception:
 - We require a full appraisal regardless of the AUS findings/feedback report. This is an overlay.
 - Revised interested party contributions guidelines to more closely align with Fannie Me and Freddie Mac published guidance and terminology. Overlays that remain are underlined.
 - Revised property flipping guidelines to align with Agency "best practices" guidance
 - Removed all retirement income overlays and aligned with Fannie Mae and Freddie Mac requirements
 - Aligned HUD-1 signature requirements for the subject property with Fannie Mae and Freddie Mac guidelines
 - Clarified HUD-1 signature requirements for the sale of properties other than the subject, in which the proceeds are needed for down payment and closing costs
 - Revised title insurance requirements to reflect that opinions of title are not acceptable in lieu of a title insurance policy. This is a new overlay.
 - Removed the overlay requirement that the subject property cannot be located less than 10 feet from the outer boundary of a pipeline easement
 - Expanded eligible occupancy and transaction types for non-permanent resident alien transactions; these transactions now follow standard Agency guidance with the following exception:
 - If the LTV/TLTV/HTLTV is greater than 80%, a two year established credit history is required.
- For DU and LP loans, removed resubmission overlays due to changes to a borrower's name

Additional DU Refi Plus Guideline Updates

A summary of the updates are as follows:

- Incorporated the loan application date requirement to reflect the extension of the HARP program to December 31, 2016
- Eliminated the following DU Refi Plus Checklists:
 - *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)*
- Removed the following documentation overlays:
 - Requirement for removal from the deed/title or a copy of death certificate or other legal document evidencing death when an existing borrower is being removed from the new mortgage loan
 - Requirement for the documentation of occupancy changes (i.e., from a second home or investment property to a primary residence)

Note: Standard occupancy verification guidance continues to apply. Correspondent lenders are still responsible for determining if the occupancy type submitted for a loan transaction is reasonable based on the application and supporting documentation submitted.

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Bulletin Details, continued

Guideline Updates, continued

- Added a reminder that each person who has an ownership interest in the security property must sign the security instrument
- Removed all restructured mortgage loan overlays; both an outside lender's mortgage and a SunTrust Mortgage loan that has been previously restructured is now eligible for refinancing in accordance with DU Refi Plus guidelines
- Revised the listing of "Ineligible Existing Mortgages" to include mortgage loans subject to investor paid primary or pool insurance
- Removed the overlay requirement for the *Notice About Appraisal of Your Property* disclosure
- For non-STM to STM transactions:
 - Removed disaster area overlay guidelines
 - Removed payment history overlay; the acceptable payment history for all mortgage tradelines will now be determined by DU
 - Removed the history of receipt and anticipated continuity of income verification overlay
 - Removed the 31% housing-to-income (HTI) ratio overlay requirement when the borrower's proposed payment increases by more than 20%; a single DTI of 45% now applies
- Removed the interest credit overlay; interest credits are now allowed for DU Refi Plus loans
- Removed all DU Data Input instructions

Note: Correspondent lenders are responsible for correctly entering all data into DU as it relates to the specific loan program.

- Removed the resubmission to DU after closing overlay; DU Refi Plus loans are now eligible for resubmission to DU after closing

Other Guideline Improvements

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

- For transparency, added and/or underlined the following *existing* overlays (matrixed and unmatrixed) in the impacted guideline topics/subtopics:
 - Alaska and Hawaii geographic lending restrictions
 - Requirement for two years of individual federal tax returns to document royalty income and income when the borrower is employed by a family member or interested party
 - Agency Higher Priced Mortgage Loans (HPML) are not eligible
 - Power of Attorney (POA) may not be utilized to sign a security instrument or note if the transaction is a cash-out refinance
 - Inter Vivos trust overlays as follows:
 - Land trusts and institutional trustees are not permitted
 - Trustees signatures may not be accomplished via power of attorney
 - Living Trust Non-Revocation Affidavit and Hypothecation Letter requirement
 - The note and all associated riders must be signed by all trustees of the trust
 - For DU Refi Plus transactions:
 - Eligible loan term overlays
 - LTV/TLTV/HTLTV overlays
 - Co-op ineligibility
 - Attached PUD review/warranty requirement for non-STM to STM transactions
 - The ineligibility of Hardest Hit Fund programs for principal reduction or closing cost assistance

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Bulletin Details, continued

Other Guideline Improvements, continued

- The ineligibility of the following existing mortgages: Texas 50(a)(6) and loans with lender paid mortgage insurance
- Mortgage insurance overlays
- Escrow waiver overlays
- Minimum credit score overlays

Before and After Matrices

[Click here](#) to see the before-and-after matrix that provides a detailed overview of the Agency and DU Refi Plus guideline updates effective immediately for existing and new loan applications on or after May 29, 2015.

[Click here](#) to see the before-and-after matrix that provides a detailed overview of the additional DU Refi Plus only guideline updates effective immediately for existing and new loan applications on or after May 29, 2015.

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

We updated the Agency and DU Refi Plus Overlay Matrices to reflect the overlays removed as a result of the updates outlined in this bulletin. 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 and related Before-and-After Matrices) that previously existed; however, not previously reflected on the overlay matrix. We will continue to evaluate opportunities to remove overlays throughout the year.

Revised Materials

Click [Agency Loan Programs](#), [Agency Plus Loan Program](#), [DU Refi Plus™ Loan Program](#), [Texas Cash-Out Refinance First Mortgages](#), [Eligible Mortgage Loans](#), [Automated Underwriting](#), [Underwriting](#), [Appraisal Guidelines](#), [Compliance Overview](#), [Hazard and Flood Insurance](#), [Leasehold Estate Guidelines](#), [Interested Party Contributions Limits](#), [Mortgage Insurance](#), [Non-Arms Length/Conflict-of-Interest](#), [Non-Permanent Resident Alien Requirements](#), [Loan Delivery and Purchase Review](#), [Properties Purchased at Auction](#), [Short Sale and Restructured Mortgage Loans](#), [Disaster Area Procedures](#), [Title Insurance](#), [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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