

Product Support Bulletin



Information for Correspondent Lenders of SunTrust Mortgage, Inc.
July 17, 2015 • COR15-035

Alert

Update

Reminder

Clarification

Training
Information

Preview

Secondary Financing and Other Guideline Revisions

In an effort to increase borrower eligibility and more closely align with Fannie Mae and Freddie Mac, SunTrust Mortgage, Inc. updates secondary financing, condominium requirements and cash reserve requirements to more closely align with Fannie Mae and Freddie Mac. Other revisions to Agency guidelines are also included.

Intended Audience

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

Friday, July 17, 2015

With the exception of cash reserves revisions, updates are effective immediately for new and existing applications on or after this date.

Sunday, July 19, 2015

Cash reserve revisions are effective for new loan applications on or after this date.

Background Information

In bulletin 2015-4, Freddie Mac announced updates to requirements for mortgages with Affordable Seconds[®], revisions to reserve requirements and changes to certain condominium requirements. In response to this update and in support of our purpose of financial well-being, we identified opportunities to align with Fannie Mae and Freddie Mac requirements.

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

Bulletin Details

Secondary Financing Guideline Updates

A summary of the updates are as follows:

- Affordable Seconds now eligible with standard Agency transactions processed through Freddie Mac's Loan Prospector[®] (LP).
- An Agency LP first mortgage is eligible with an Affordable Seconds if it is:
 - A fixed-rate mortgage or an adjustable rate mortgage (ARM) with an initial fixed-rate period of five years or greater,
 - A purchase transaction or a "no cash-out" refinance, and
 - Secured by a one (1) to four (4) unit primary residence.

Action Required

**Origination, Processing,
Underwriting, Closing, Delivery, and
Funding**

Starting July 17, 2015

Follow revised secondary financing and condominium requirements.

Starting July 19, 2015

Follow revised cash reserve requirements.

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Bulletin Details, continued

Secondary Financing Guideline Updates, continued

- Affordable Seconds that are home equity lines of credit (HELOCs) are ineligible.
- Affordable Seconds with balloon payment terms are ineligible.
- Include the following items in the mortgage loan file to document the Affordable Seconds:
 - Note or other evidence of terms for the Affordable Seconds
 - HUD-1 Settlement statement or equivalent closing statement that evidences the fees and costs paid by the borrower at closing in connection with the Affordable Seconds
 - For refinance transactions, evidence of subordination of an existing Affordable Seconds.
- When the borrower's employer is the provider of the Community Seconds[®] or Affordable Seconds mortgage, and 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, SunTrust requires that the borrower 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 the borrower does not sufficient assets, the employer subordinate financing is not eligible.
- Community Seconds with a repayment option that is deferred for five years or more is acceptable.

Note: Community Seconds and Affordable Seconds are subsidized second mortgages. "Community Seconds" is Fannie Mae's terminology and "Affordable Seconds" is Freddie Mac's terminology, which represents the same type of subsidized secondary financing.

Condominium Requirements Revisions

- The following condominium updates apply to Agency LP loans:
 - Delinquent Assessments:
 - For Agency LP loans requiring full condominium project review, confirm that no more than 15% of the total number of units in a project are 60 or more days delinquent on the payment of the HOA assessments.
 - Investor Concentration:
The following investor concentration limitations apply to Agency LP loans:

Number of Units in the Project	Maximum Number of Units Owned by Individual or Single Entity
Two to four	One
Five to 20	Two
21 or more	10%

Cash Reserve Requirements Updates

For Agency loans processed through LP, the following reserve requirements apply:

- Verify all reserves required by LP, as stated on the Feedback Certificate. Certain mortgages also require additional reserves as described in the chart below. Calculate additional required reserves outside of LP.

Subject Property	Additional requirements
Primary residence that is: <ul style="list-style-type: none">• Pending sale, or• Being converted to a second home or investment property	<ul style="list-style-type: none">• Six (6) months for the subject property, and• Six (6) months for property pending sale or being converted.• When the LTV/TLTV/HTLTV ratios are \leq 70% for property pending sale or being converted:<ul style="list-style-type: none">○ Two (2) months for the subject property, and○ Two (2) months for property pending sale or being converted.

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Bulletin Details, continued

Cash Reserve Requirements Updates, continued

Subject Property	Additional requirements
Second home or Investment property	Two months for each additional second home and/or 1-to-4 unit investment property: <ul style="list-style-type: none">• In which the borrower has an ownership interest or on which the borrower is obligated, and• That is financed.

Before-and-After Matrices

[Click here](#) to see the before-and-after matrix that provides a detailed overview of the guideline updates effective immediately for existing and new loan applications dated on or after July 17, 2015.

[Click here](#) to see the before-and-after matrix that provides a detailed overview of the guideline updates effective for new loan applications dated on or after July 19, 2015.

Revised Materials

Click [Agency Loan Programs](#), [Agency Plus Loan Program](#), [Condominium and PUD Approval Requirements](#) and [Correspondent Agency Overlay Matrix](#) to review the revised product materials.

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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