

# Product Support Bulletin

Information for Correspondent Lenders of SunTrust Mortgage, Inc.  
September 25, 2015 • COR15-043



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 and Freddie Mac updates. Additionally, we continue to provide Agency overlay relief and guideline improvements. With this publication, we remove an additional 12 Agency overlays!

### Intended Audience

Origination  
Processing

Secondary  
Marketing

Underwriting

Closing  
Delivery  
Funding

Compliance  
Legal

Other

### Effective Dates

#### Friday, September 25, 2015

All 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 Announcement SEL-2015-08 and Freddie Mac Bulletin 2015-12. 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.

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 matrix subsequently presented in this bulletin for a detailed overview of the impacted loan programs per update and underwriting method.

### Action Required

**Origination, Processing, Secondary Marketing, Underwriting, Closing, Delivery, Funding, Compliance, and Legal Starting September 25, 2015**

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

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## Bulletin Details, continued

### Guideline Updates

A summary of the updates are as follows:

- For non-AUS and DU loans, increasing the maximum number of financed properties when the transaction is a second home or an investment property from four to six. Overlays are underlined.
- For non-AUS and DU loans, aligned with Fannie Mae by:
  - Revising the ratio requirements for primary residence, attached condominium units as follows:
    - Increasing the LTV/TLTV/HTLTV ratio requirements for primary residence, attached condominium units in established projects **outside of Florida** under the Limited Review Process from 80% to 90%
    - Increasing the TLTV/HTLTV ratio for primary residence, attached units in established projects **in Florida** under the Limited Review Process from 80% to 90%. The LTV ratio for these transactions are not changing (i.e., remains at 75%) for these Florida limited review transactions at this time.

**Note:** Fannie Mae will be updating DU in the near future to reflect these updates. Until that time, disregard the DU message requiring a Full Review for primary residence transactions with an LTV/TLTV/HTLTV ratio greater than 80% and up to 90%.

- Revising properties with solar panels guidance to:
  - Permit the lease payment to be excluded from the debt-to-income (DTI) ratio calculation if certain lease provisions are met
  - Streamline and clarify property casualty and title insurance requirements
  - Incorporate other leased solar panel requirements clarifications

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

- For LP loans, aligned with Freddie Mac by:
  - Increasing the maximum number of financed properties when the transaction is a second home or an investment property from four to six and clarifying certain types of properties that should not be included in the count of financed properties
  - Clarifying that you may calculate the monthly payments for student loans and revolving accounts based on a specified percentage of the outstanding balance only when there is no documentation in the mortgage file indicating the actual monthly payment amount
  - Revising the minimum monthly payment amount that must be included in the DTI calculation when a student loan is deferred or is in forbearance and there is no documentation in the mortgage file indicating the proposed monthly payment amount from 2% to 1% of the outstanding balance of the student loan
  - Permitting the exclusion of a monthly payment from the DTI calculation when the borrower is self-employed and the monthly payment is made by the borrower's business, subject to certain requirements
  - Removing the requirement that the borrower must have a two-year history of managing investment properties to use the income from a subject investment property or other investment properties owned by the borrower for qualifying purposes
  - Removing the requirement that the borrower must have six months of rent loss insurance to use rental income from the subject investment property for qualifying purposes
  - Revising requirements to state that the payment of up to 12 months of homeowners association dues by an interested party is not considered an abatement, but is considered an interested party contribution and is subject to the requirements for interested party contributions
  - Removing the requirement that a gift letter must identify the subject property's address
  - Revising verbal verification of employment requirements to require verification of the borrower's employment status, and not whether the borrower is on leave
  - Revising the listing of ineligible condominium project characteristics

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## Bulletin Details, continued

### Guideline Updates, continued

- For non-AUS, DU, and LP loans, more closely aligned with Fannie Mae and Freddie Mac by:
  - Revising our properties with resale deed restrictions guidelines. Overlays that remain are underlined.
  - Clarifying requirements for properties with private transfer fee covenants
- For non-AUS, DU, and LP loans, incorporating new terminology for the new Loan Estimate and Closing Disclosures mandated by the TILA-RESPA Integrated Mortgage Disclosure (TRID Rule), which becomes effective on October 3, 2015, as follows:
  - Replacing all references to the "HUD-1 Settlement Statement" with "settlement statement"
  - Replacing all references to the "Good Faith Estimate" with "loan estimate"

### 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 following topics to adopt Agency (Fannie Mae and Freddie Mac) specific language. Guideline intent remained the same.
  - 30 Day Accounts / Open End Accounts
  - Age of Documentation – Income
  - Deferred Installment Debt
  - Mortgage Insurance Requirements for New York Properties
- Consistently reflected references to primary residence requirements using "primary residence" rather than "principal residence" within various non-AUS and DU guidelines.
- For standard Agency (non-AUS and DU) and Agency Plus (DU) transactions, removed the additional cash reserve and other obsolete requirements referenced when a client's primary residence is pending sale or converted to a second home or investment property, as previously published in bulletin [COR15-039](#).

### Before and After Matrix

[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 on or after September 25, 2015.

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

We updated the Agency and DU Refi Plus Overlays Matrices to reflect the overlays removed as a result of the updates outlined in this bulletin. In addition, we also updated the Agency Overlays Matrix to reflect the overlays we have maintained (that are related to the topics addressed in this bulletin and related Before-and-After Matrix) 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](#), [Condominium and PUD Approval Requirements](#), [Interested Party Contributions Limits](#), [Mortgage Insurance](#), [Loan Delivery and Purchase Review](#), [Maximum Number of Financed Properties and Borrower Exposure](#), [Resale/Deed Restrictions](#), [Correspondent Agency Overlay Matrix](#) and [DU Refi Plus 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.

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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.

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