

# Product Support Bulletin

Information for Correspondent Lenders of SunTrust Mortgage, Inc.  
December 18, 2015 • COR15-055



Alert

**Update**

Reminder

Clarification

Training  
Information

Preview

## Help Prevent Occupancy Misrepresentation

In an effort to assist lenders with the detection of occupancy misrepresentation, SunTrust Mortgage, Inc., provides additional clarity regarding red flags to consider when determining the validity of occupancy type for mortgage transactions.

### Intended Audience

<b>Origination Processing</b>	Secondary Marketing	<b>Underwriting</b>	<b>Closing Delivery Funding</b>	Compliance Legal	Other
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### Effective Dates

**Friday, December 18, 2015**  
Effective with new and existing applications on or after this date.

### Background Information

Due to an elevated default rate prompting additional repurchase risk and loss, SunTrust Mortgage takes this opportunity to clarify guidance regarding potential occupancy misrepresentation. A prominent practice in fraud, occupancy misrepresentation occurs when a borrower states the loan purpose is for a primary residence or second home, when, in fact, the loan purpose is for an investment property. This practice allows the borrower to potentially receive more favourable qualifying requirements and loan terms.

### Bulletin Details

**Occupancy Misrepresentation Red Flags – Purchase Transactions**  
Updates to potential warning signs a purchase transaction could be misrepresenting the stated occupancy type are as follows:

- The loan purpose is a second home, yet there is evidence the borrower may not have exclusive control of the subject property's occupancy.
- The loan purpose is a second home, yet the borrower's profile, including income and assets, indicates a probable financial strain with the expected upkeep of a second home.
- The sales contract is subject to an existing lease or property management agreement.
- The sales contract displays evidence buyer(s) information was changed or altered.

### Action Required

**Origination, Processing, Underwriting, Closing, Delivery, and Funding Starting December 18, 2015**  
Apply the guidelines outlined in this bulletin.

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## Bulletin Details, continued

### Occupancy Misrepresentation Red Flags – Refinance Transactions

Updates to potential warning signs a refinance transaction could be misrepresenting the stated occupancy type are as follows:

- The appraisal report and associated photos indicate occupant is “tenant” or “vacant”.
- The loan purpose is a second home, yet there is independent evidence other parties reside at the subject property, or the subject property is available for rent.
- The borrower uses a P.O. Box for a mailing address.

### Revised Materials

Click [Occupancy Misrepresentation – Red Flags](#) to view the revised material.

## Former Guidelines

Previously, guidance for occupancy misrepresentation red flags did not address the following:

- Potential second home occupancy misrepresentation, except when the borrower is buying a second home, yet the borrower did not own a current primary residence,
- Sales contracts being subject to a property management agreement,
- Sales contract containing evidence the buyer(s) information was changed or altered,
- Photographs associated with the appraisal report indicating the occupant is “tenant” or “vacant”, and
- The borrower using a P.O. Box for a mailing address.

## 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.
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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