

Product Support Bulletin



Information for Correspondent Lenders of SunTrust Mortgage, Inc.
May 20, 2016 • COR16-014

Alert

Update

Reminder

Clarification

Training
Information

Preview

Agency and Agency Plus LP[®] LTV Enhancements and Other Revisions

SunTrust Mortgage, Inc. is pleased to announce Agency Loan Prospector[®] (LP[®]) LTV/TLTV/HTLTV enhancements for Agency Plus and certain standard Agency loan transactions. With this update, LTV/TLTV/HTLTVs up to 95% for Agency Plus LP transactions will now be available!

Additionally, we revise Agency product guidelines to align with recently announced Fannie Mae and Freddie Mac updates. With these updates, we:

- eliminate continuity of obligation requirements for non-AUS and Desktop Underwriter[®] (DU[®]) transactions
- revise requirements for:
 - certain asset types
 - minimum borrower contributions
 - properties with resale restrictions
 - properties with solar panels
- clarify Agency Plus field review appraisal requirements

Intended Audience

| | | | | | |
|---------------------------|------------------------|--------------|--------------------------------|---------------------|-------|
| Origination Processing | Secondary Marketing | Underwriting | Closing Delivery Funding | Compliance Legal | Other |
|---------------------------|------------------------|--------------|--------------------------------|---------------------|-------|

Effective Dates

Friday, May 20, 2016

Certain updates are effective immediately for existing and new loan applications on or after this date. See the applicable Before-and-After Matrix provided in the Bulletin Details section for additional information.

Monday, May 23, 2016

All LTV/TLTV/HTLTV enhancements are effective for loans locked on or after this date.

Background Information

Fannie Mae and Freddie Mac announced updates impacting several Agency guidelines in the following publications: Fannie Mae Announcements SEL-2015-13 and SEL-2016-02, Freddie Mac Bulletins 2015-20 and 2016-3. In response to these publications, we reviewed impacted guidelines and identified opportunities to implement revisions to align with Fannie Mae and Freddie Mac requirements.

Additionally, in support of our guideline improvement initiative, we continue to modify our guidelines to more closely reflect the Agencies' language and/or presentation of guidance.

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Bulletin Details

LTV/TLTV/HTLTV Enhancements

A summary of the LTV/TLTV/HTLTV enhancements are as follows:

- For standard Agency LP, 1-unit investment property transactions, aligned LTV/TLTV/HTLTV ratios for limited cash-out (rate/term) refinance transactions with purchase transaction LTV/TLTV/HTLTVs up to a maximum 85%
- For Agency Plus LP transactions, aligned LTV/TLTV/HTLTV ratios with standard Agency LP LTV/TLTV/HTLTV ratio requirements up to a maximum 95%

Other Guideline Updates

A summary of the other guideline updates are as follows:

- For non-AUS and DU loans, aligned with Fannie Mae by:
 - Eliminating continuity of obligation requirements in their entirety

Notes:

- Fannie Mae is updating DU the weekend of June 25, 2016 to reflect this update. Until that time, disregard the DU messaging regarding continuity of obligation requirements.
- Continuity of obligation requirements continue to apply for LP transactions.
- Clarifying minimum borrower contribution requirements
- Revising properties with resale restrictions guidance to:
 - Expand the eligibility for **age-related** resale restrictions to permit all occupancy types. Second homes must be one-unit properties. Primary residence and investment properties must be one- or two-unit properties. Mortgages secured by three- or four-unit properties remain ineligible.
 - Remove the overlay restriction regarding the length of the period in which the resale restrictions may remain in place on the property
- Revising properties with solar panels guidance to:
 - Clarify when a monthly solar panel payment may be excluded from the debt-to-income ratio if a power purchase agreement has been obtained
 - Allow lenders to verify that the owner of the solar panels is not named as a loss payee on the property owner's property insurance policy in lieu of requiring a similar statement in the lease or power purchase agreement

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

- For DU loans, aligned with Fannie Mae by:
 - Clarifying that lenders must use the *Two- to Four-Unit Residential Appraisal Field Review Report* (Form 2000A) for the additional field review requirement on Agency Plus loans secured by two- to four-unit properties valued at \$1,000,000 or more and with an LTV, TLTV, or HTLTV ratio greater than 75%

Action Required

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

Starting May 20, 2016

Apply the guidelines that are effective immediately on or after this date.

Starting May 23, 2016

Apply the enhanced LTV/TLTV/HTLTV guidelines that are effective for loans locked on or after this date.

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Bulletin Details, continued

Other Guideline Updates, continued

- For LP loans, aligned with Freddie Mac by:
 - No longer requiring evidence of liquidation of stocks, bonds, mutual funds, United States government securities and other securities when the combined value of the assets is at least 20% greater than the amount from these assets needed for closing
 - Removing the limitation that no more than 70% of the value of a retirement account can be used for reserves
 - Adding vested stock options, subject to minimum documentation requirements, as an eligible source of borrower funds and reserves
 - Removing the requirement for a minimum 5% down payment from occupant borrower funds when the loan-to-value (LTV) ratio is greater than 80% and a non-occupying borrower is present. For these transactions, borrower funds (including the down payment) and reserves may come from the occupant and/or the non-occupant borrower
 - Revising rent credit with option to purchase requirements

Guideline Improvements

A summary of the guideline improvements are as follows:

- Added a new “529 Plans” subtopic to the “Assets” topic to reflect this asset as an eligible asset for down payment, closing costs and reserves (for all underwriting methods)
- Added a new “Loans/Borrowed Funds Secured by an Asset” subtopic to the “Assets” topic to cover personal, real estate, and financial assets
- Refreshed the following “Assets” subtopics to adopt Agency (Fannie Mae and Freddie Mac) specific language/presentation, eliminate redundancies, and/or relocate guidance; guideline intent remained the same:
 - General Information – Assets
 - General Documentation Requirements – Assets
 - Bridge Loans in Second Lien Position
 - Business Assets
 - Cash Reserve Requirements
 - Checking, Savings, Money Market, Certificates of Deposit, or Other Depository Accounts
 - Credit Cards
 - Deposit on Sales Contract
 - Donations from Entities
 - Employer Assistance
 - Funds Disbursed from a Trust
 - Gifts / Gifts of Equity
 - Government Bonds
 - Individual Development Accounts
 - Large Deposits
 - Life Insurance Cash Value
 - Mutual Funds
 - Non-Permanent Resident Aliens
 - Pooled Funds/Community Savings Systems Accounts
 - Sale of Personal Assets
 - Sale of Real Property
 - Trade Equity
 - Unsecured Loans
- Removed the “Settlement Statement Credits” subtopic to align with Fannie Mae and Freddie Mac’s Seller Guides, which do not have a specific topic on this guidance

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 on or after May 20, 2016.

[Click here](#) to see the before-and-after matrix that provides a detailed overview of the standard Agency and Agency Plus LP LTV/TLTV/HTLTV enhancements effective for loans locked on or after May 23, 2016.

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Bulletin Details, continued

Revised Material

Click [Agency Loan Programs](#), [Appraisal Guidelines](#), [Non-Permanent Resident Alien Requirements](#), and [Correspondent Agency 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. |
| 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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