

Product Support Bulletin



Information for Correspondent Lenders of SunTrust Mortgage, Inc.
September 16, 2016 • COR16-026

Alert

Update

Reminder

Clarification

Training
Information

Preview

DU[®] 10.0 Release and Other Agency Revisions

SunTrust Mortgage, Inc. announces the upcoming release of Fannie Mae's Desktop Underwriter (DU) Version 10.0, scheduled for the weekend of September 24, 2016. The changes in the DU Version 10.0 release will include:

- updates to the DU credit risk assessment, including the use of trended credit data
- the ability to underwrite loan casefiles in which no borrower has a credit score
- automated multiple financed properties eligibility and reserve requirements (*for borrowers financing a second home or an investment property*)
- various messaging updates
- the retirement of DU Version 9.2

We are pleased to announce that we are fully aligning with Fannie Mae on all of the above referenced updates.

We also revise Agency product guidelines as a result of recently announced Freddie Mac properties subject to resale restrictions updates. Additionally, we continue to provide Agency guideline improvements.

Intended Audience

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

Friday, September 23, 2016

All DU 9.2 loan casefiles must have final submission to DU 9.2 by this date.

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

Saturday, September 24, 2016

Fannie Mae retires DU Version 9.2. Fannie Mae implements DU Version 10.0.

Certain DU updates are effective for new loan casefiles submitted to DU on or after the weekend of September 24, 2016. Certain non-AUS and Loan Product Advisor[®] (LPA) updates are effective for new loan applications taken on or after this date. See the related Before-and-After Matrix provided in the Bulletin Details section for additional information.

Background Information

In Desktop Originator/Desktop Underwriter Release Notes DU Version 10.0, SEL-2016-03, SEL-2016-04, and SEL-2016-07, Fannie Mae announced the upcoming release of DU Version 10.0 and related updates. Additionally, Freddie Mac announced updates impacting properties subject to resale restrictions guidelines in Bulletin 2016-11. In response to these publications, we reviewed impacted guidelines and identified opportunities to implement revisions to more closely 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

Summary of the Fannie Mae DU Version 10.0 Updates

With the DU Version 10.0 release, Fannie Mae will be:

- Updating the DU credit risk assessment; [Click here](#) for an overview of the changes
- Implementing the use of trended credit data in the credit risk assessment

Notes:

- Trended credit data provides access to historical monthly data (when available) on several factors, including: balance, scheduled payment, and actual payment amount that a borrower has made on the account.
- The DU Version 10.0 risk assessment will only use the trended credit data on revolving credit card accounts for the most recent 24 months' payment history (even if more than 24 months' worth of data is provided on the credit report). The trended credit data may be used on other types of accounts in a later version of DU.
- Adding the ability to underwrite certain loan casefiles in which **no** borrowers have a credit score; Specific eligibility requirements apply
- Revising the requirements for underwriting certain loan casefiles where at least one borrower has no score and another borrower has a credit score; Specific eligibility requirements apply

Note: With the DU Version 10.0 release, SunTrust Mortgage will be **removing** our existing overlay for standard Agency DU transactions that required **all** borrowers on the loan to have at least one credit score.

- Automating the DU multiple financed properties requirements (*for borrowers financing a second home or an investment property*) as follows:
 - Adding a new **Number of Financed Properties** field to capture the number of financed one- to four-unit residential properties (including the subject transaction) for which the borrower(s) are personally obligated
 - Determining the reserve requirements for the subject property and other financed properties,
 - Applying a minimum credit score requirement of 720 when the borrower will have more than six financed properties, and
 - Issuing an ineligible recommendation when the borrower will have more than ten financed properties
- Other messaging updates to provide:
 - A reminder of the field review appraisal requirement on Agency Plus two- to four-unit loan casefiles where the purchase price or appraised value is \$1,000,000 or more and the LTV, TLTV, or HTLTV exceeds 75%, as previously clarified in [COR16-014](#)
 - Additional clarity and consistency with existing published guidelines

Action Required

Origination, Processing, Secondary Marketing, Underwriting, Closing, Delivery, Funding, Compliance, and Legal By September 23, 2016

Review existing pipeline of DU Version 9.2 loans and complete final submission to DU 9.2 by this date.

Starting September 23, 2016

Apply the guidelines that are effective immediately for existing and new loan applications, as outlined in this bulletin and related Before-and-After Matrix.

Starting September 24, 2016

Apply the guidelines that are effective for new loan casefiles submitted to DU and new loan applications on or after this date, as outlined in this bulletin and related Before-and-After Matrix.

Product Support Bulletin

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Bulletin Details, continued

Retirement of DU Version 9.2

With the release of DU Version 10.0, Fannie Mae is retiring DU Version 9.2. Therefore, **effective the weekend of September 24, 2016, lenders will no longer be able to resubmit loan casefiles to DU Version 9.2**; however, will continue to be able to view online loan applications and DU Underwriting Findings reports that were created under DU Version 9.2. Complete final submissions of all DU Version 9.2 loans (to DU version 9.2) on or before September 23, 2016 **or** obtain an updated underwriting recommendation by submitting a new loan casefile to DU Version 10.0 on or after the weekend of September 24, 2016.

Note: Loan casefiles created in DU Version 9.3 and resubmitted after the weekend of September 24 will continue to be underwritten through DU Version 9.3.

Other Guideline Revisions and Guideline Improvements

A summary of the other upcoming guideline revisions and guideline improvements are as follows:

- Aligning with Fannie Mae by:
 - Revising non-AUS non-traditional credit requirements:
 - Income from self-employment will now be permitted
 - Non-occupant borrowers will now be permitted in accordance with standard non-AUS underwriting eligibility requirements
 - Expanding requirements to permit an option for loans in which no borrower has a rental payment history, provided the minimum number of non-traditional credit sources are documented and the borrower has a minimum of 12 months reserves
 - Clarifying and simplifying non-AUS and DU requirements for documenting non-traditional credit sources, including:
 - Removal of the tiered structure for eligible sources of non-traditional credit
 - Expanded guidelines for documenting rental payment histories
 - Updated payment history requirements for non-traditional credit sources
 - Adding guidance regarding re-established credit requirements (non-AUS and DU) for borrowers who have had a mortgage charge-off
 - Adding guidance to the qualifying ratio guidelines regarding DTI tolerances for non-AUS loans and re-underwriting criteria (non-AUS and DU)
 - Removing the existing Option 1 & 2 non-AUS traditional credit history guidance that indicated the number of tradelines/years of credit history a borrower must have, as Fannie Mae does not provide a specific number of accounts/years of credit history to define an “established credit history”
- Aligning with Freddie Mac LPA requirements by:
 - Revising the definition of Home Value Explorer (HVE) to more accurately reflect the function of the tool
 - Revising secondary financing guidelines to specify that a provider of secondary financing or another party may not share in the appreciation of the mortgaged premises, except when the secondary financing is an Affordable Second[®].
 - Revising requirements related to restrictive agreements and covenants
- Revising properties with resale restrictions guidelines:
 - For non-AUS and DU transactions, aligning with Fannie Mae by:
 - Updating resale restrictions that terminate guidelines to reflect that when using the “standard LTV calculation (i.e., lesser of sales price or **appraised value**),” the “appraised value” that is permitted to be used in this calculation is the appraised value of the property **without** resale restrictions

Note: SunTrust Mortgage does not permit the “Affordable LTV” calculation (based solely on the appraised value without resale restrictions for non-AUS and DU transactions). This remains as an overlay.

- Removing the “at least three comparable sales with similar resale restrictions” appraisal requirement overlay

Product Support Bulletin



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Bulletin Details, continued

Other Guideline Revisions and Guideline Improvements, continued

- Implementing the following new overlays:
 - **Non-AUS and DU transactions:** Properties with resale restrictions (age related AND income-based) that survive foreclosure are not eligible
 - **LPA transactions:** Properties with income based resale restrictions (restrictions that terminate AND restrictions that survive foreclosure) are not eligible
- For non-AUS, DU, and LPA transactions:
 - Updating surface public utility easements (acceptable title insurance exception) requirements
 - Aligning with Fannie Mae and Freddie Mac and removing all existing overlays for the following:
 - Consumer Credit Counseling
 - Judgments, Garnishments, and/or Liens
- Refreshed the following “Credit Requirements” subtopics to adopt Agency (Fannie Mae and Freddie Mac) specific language/presentation, eliminate redundancies, relocate guidance, and/or identify overlays; unless previously noted above, guideline intent remained the same:
 - Bankruptcies, Foreclosures, Deeds-In-Lieu, Short Sales, and Mortgage Charge-Offs
 - Collections and/or Non-Mortgage Charge-offs
 - Credit Reports
 - General Credit Documentation Requirements
 - Inquiries
 - Mortgage Insurance
 - Mortgage Payment History
 - Rental/Other Payment History
 - Traditional Credit History
 - Undisclosed Debts
- Removing the following topics to eliminate redundancy:
 - Duplicate Public Records
 - Late Payments
 - Unverified Liabilities

Before and After Matrices

[Click here](#) to see the before-and-after matrix that provides a detailed overview of the guideline updates effective on or after September 23, 2016.

[Click here](#) to see the before-and-after matrix that provides a detailed overview of the guideline updates effective on or after September 24, 2016.

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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