

Product Support Bulletin



Information for Correspondent Lenders of SunTrust Mortgage, Inc.
February 10, 2017 • COR17-004

Alert

Update

Reminder

Clarification

Training
Information

Preview

Agency PACE Payoff, Appraisal Analysis, and Other Property Related Revisions

SunTrust Mortgage, Inc. revises Agency product guidelines to align with recently announced Fannie Mae and Freddie Mac updates, provide overlay relief, and to improve the presentation of our guidelines. With these updates, we:

- remove overlays relating to:
 - additions without permits
 - DU Refi Plus™ appraisal reviews
 - paying off a Property Assessed Clean Energy (PACE) loan with the proceeds from a limited cash-out refinance (non-AUS transactions only)
 - property condition ratings and quality of construction ratings
 - self-fueling heating systems
- clarify guidance regarding accessory units
- revise second appraisal guidelines
- revise requirements related to condominiums (including, but not limited to: ineligible projects, common elements, condo project conversions, site condos/detached condos, 2-4 unit condo project reviews, owner occupancy requirements for new condominium project reviews)
- refresh guideline requirements for the following:
 - accessory units
 - mixed-use properties
 - rural properties
 - all remaining appraisal analysis sections of the appraisal guidelines

Intended Audience

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

Friday, February 10, 2017

All updates are effective immediately, for new and existing loan applications on or after this date.

Background Information

Fannie Mae and Freddie Mac announced updates impacting Agency guidelines in the following publications: Fannie Mae Announcement SEL-2016-08; Freddie Mac Bulletins 2016-11 and 2016-16. 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 reviewed our Agency appraisal analysis and condominium guidelines in their entirety and identified opportunities to refresh our guidelines to more closely reflect the Agencies' language and/or presentation of guidance.

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Bulletin Details

Guideline Updates

A summary of the updates are as follows:

- For non-AUS and Desktop Underwriter[®] (DU[®]) loans, aligning with Fannie Mae by:
 - Clarifying guidance on accessory units to indicate that a one-unit property with one accessory dwelling unit is permitted; multiple accessory units on the same property are not permitted
 - No longer requiring project reviews for a subset of detached condos commonly referred to as “site condos”

Note: Use Project Type Code V to identify site condo loans delivered without a condo project review.

- For Loan Product AdvisorSM (LPASM) loans,
 - Aligning with Freddie Mac by:
 - Incorporating second appraisal requirements
 - Revising condominium project requirements as follows:
 - Incorporating Freddie Mac’s specific detached condo and 2-4 unit condo review requirements
 - Revising the ineligible project list to state that:
 - A conversion of a property with a prior use as a hotel (or similar type of transient housing) that is a gut rehabilitation, is an eligible project if the resulting condominium units no longer have the characteristics of a hotel or similar type of transient housing
 - A Housing Finance Agency (HFA) and similar entities based on state or local law or regulation are entities that can have a percentage of ownership in a project of no more than 15% without the project being considered ineligible due to excessive single investor concentration, provided certain requirements are met
 - Revising the requirements relating to the review of a condo project conversion to determine project eligibility
 - Clarifying that common elements, such as parking and recreational facilities, must not be subject to a lease between unit owners or the homeowners association (HOA) (as lessee) and any other party (as lessor), with the exception of commercial leases for parking or permit arrangements for parking entered into with parties unrelated to the developer
 - Reorganizing and rewording certain rural property requirements to improve readability, reduce redundancies and remove obsolete language
 - Revising owner occupancy requirements under the New Condominium Project Review requirements as follows:
 - Reducing the percentage of the total units in the project (from 70% to 50%) that must have been conveyed or must be under contract to purchasers other than the developer (or its successor) who will occupy the units as their primary residences or second homes

Action Required

Origination, Processing, Secondary Marketing, Underwriting, Closing, Delivery, Funding, Compliance, and Legal Starting February 10, 2017

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

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Bulletin Details, continued

Guideline Updates, continued

- For non-AUS loans, revising requirements to allow a PACE loan to be paid off with the proceeds of a limited cash-out refinance transaction

Note: The PACE loan being paid off must have been originated prior to July 6, 2010. The PACE obligation must be paid in full. A limited cash-out transaction with a PACE loan remaining in a first or subordinate lien position to the new mortgage transaction is not eligible.

- For DU Refi Plus loans, aligning with Fannie Mae by revising DU Refi Plus appraisal review requirements
- For non-AUS, DU and LPA loans, aligning with Fannie Mae and Freddie Mac by:
 - Removing the overlay for properties with additions without permits that previously required the loan file to contain documentation from the city/county indicating that the unpermitted addition is recognized and can be rebuilt
 - Revising property condition and quality of construction rating guidelines:
 - Removing the overlay (non-AUS and DU) that previously indicated that properties with a C5 rating were eligible only if the repairs necessary to resolve the stated deficiencies were completed prior to closing and the file contained a final inspection that reflects a revised condition rating of C4 or better. Guidelines now reflect that properties with a C5 rating are eligible for delivery in "as is" condition.
 - Revising guidelines to state that properties with a Condition Rating of C6 or Quality of Construction Rating of Q6 are eligible for sale to Fannie Mae and Freddie Mac provided any deficiencies that impact the safety, soundness, or structural integrity of the property are repaired prior to delivery of the loan to the SunTrust Mortgage
 - Removing the overlay that previously indicated that the subject property must have a self-fueling heating system; guidelines now reflect that the subject property must be served by utilities that meet community standards

Guideline Improvements

In addition to the guideline updates outlined above, the following guideline improvements were incorporated:

- For DU transactions, we removed reference to a full appraisal requirement for mixed-use properties to align with guidance previously announced in [COR15-024](#)
- Refreshed guidelines (i.e., relocated guidance, adopted Agency specific language, and eliminated redundancies) for the following topics. Guideline intent remained the same.
 - all remaining accessory unit guidelines
 - all remaining appraisal analysis sections of the appraisal guidelines
 - all remaining mixed-use properties guidelines
 - rural properties

Note: Formatting updates were also made to eliminate redundancy and to promote clarity and consistency in the presentation of our condominium guidelines.

Before and After Matrices

[Click here](#) to see the before-and-after matrix that provides a detailed overview of the PACE payoff guideline revisions effective immediately for new and existing loan applications.

[Click here](#) to see the before-and-after matrix that provides a detailed overview of the appraisal analysis and other property related guideline revisions effective immediately for new and existing loan applications.

Revised Materials

Click [Agency Loan Programs](#), [DU Refi Plus™ Loan Program](#), [Condominium and PUD Approval Requirements](#), [Appraisal Guidelines](#), Project Compliance: Condominium Lender Warranties-Agency and Non-Agency Loan Products ([COR 0212a](#)), and [Correspondent Agency Overlay Matrix](#) to review the revised product materials.

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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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