

# Product Support Bulletin



Information for Correspondent Lenders of SunTrust Mortgage, Inc.  
June 30, 2017 • COR17-023

Alert

**Update**

Reminder

Clarification

Training  
Information

Preview

## Agency Condominium/PUD Insurance and Other Revisions

SunTrust Mortgage, Inc. revises Agency Loan Product Advisor® (LPA®) product guidelines to more closely align with recently announced Freddie Mac updates. With these updates, we:

- no longer require liability and fidelity/employee dishonesty insurance under the Detached Condominium Project Review type
- revise guidelines to adopt Freddie Mac's language related to property insurance requirements for the common elements of a planned unit development (PUD) and ground lease community; however, SunTrust Mortgage's guideline intent remains the same
- clarify guidelines regarding proceeds of a subject "no cash-out" refinance mortgage and reserves
- expand the mortgages that are eligible to be considered for collateral representation and warranty relief for loans underwritten by the Correspondent lender

We also further clarify non-AUS and Desktop Underwriter® (DU®) guidelines regarding proceeds of a subject limited cash-out refinance mortgage and reserves.

### Intended Audience

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

**Friday, June 30, 2017**

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

### Background Information

Freddie Mac Bulletin 2017-7 announced updates impacting Agency condominium/PUD and ground lease communities insurance, "no cash-out" refinance mortgage transactions, and collateral representation and warranty relief. In response to this Freddie Mac publication, we reviewed impacted guidelines and identified opportunities to implement revisions to more closely align with Freddie Mac requirements.

Additionally, in support of our guideline improvement initiatives, we also further clarify non-AUS and DU cash reserve guidelines to promote consistency in the presentation of our guidelines.

### Bulletin Details

#### Guideline Updates

- For LPA loans, aligned with Freddie Mac by:
  - Revising the Detached Condominium Project Review type guidelines to reflect that lenders are no longer required to determine the existence or adequacy of:
    - Fidelity/employee dishonesty insurance coverage
    - Liability insurance for condominium projects

#### Action Required

**Origination, Processing, Secondary Marketing, Underwriting, Closing, Delivery, Funding, Compliance, and Legal Starting June 30, 2017**

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

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## Bulletin Details, continued

### Guideline Updates, continued

- Revising guidelines to adopt Freddie Mac's language related to property insurance requirements for the common elements of a PUD and a ground lease community

**Note:** For *all* PUD projects and ground lease communities, SunTrust Mortgage guidelines remain unchanged and continue to state that verification of the existence and adequacy of the homeowners association (HOA) and/or fee simple landowner/lessor insurance coverage on the common elements is **not** required.

- For LPA loans underwritten by the Correspondent lender, more closely aligned with Freddie Mac by expanding the mortgages that are eligible to be considered for collateral representation and warranty relief related to value, condition, and marketability of the subject property, to include:
  - Cash-out refinance mortgages
  - Mortgages that Freddie Mac and the lender/Servicer have agreed are subject to credit enhancement other than primary mortgage insurance

**Reminder:** If the mortgage insurance (MI) company does not honor the associated representation and warranty relief, lenders are responsible for any consequences of the MI company rescinding coverage.

- For non-AUS, DU, and LPA loans, aligned with Fannie Mae and Freddie Mac by clarifying guidelines to specify that any cash back to the borrower from the proceeds of a subject limited cash-out/"no cash-out" refinance mortgage is not an eligible source of funds to meet reserves requirements

### Before and After Matrix

[Click here](#) to see the before-and-after matrix that provides a detailed overview of all updates.

### Revised Materials

Click [Agency Loan Programs](#) to review the revised product materials.

## Former Guidelines

See the before and after matrix provided in the Bulletin Details section of this bulletin 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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