

Product Support Bulletin

Information for Correspondent Lenders of SunTrust Mortgage, Inc.
September 1, 2017 • COR17-034



Alert

Update

Reminder

Clarification

Training
Information

Preview

PIWs, Alimony, Employment Contracts, and Other Agency Revisions

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

- enhance Property Inspection Waiver (PIW) guidance to allow on certain purchase transactions
- allow option to reduce monthly income by the amount of monthly alimony payment instead of treating as debt
- add guidance for borrowers scheduled to begin employment after the loan closes
- allow exclusion of mortgages paid by others from the debt-to-income (DTI) ratio
- treat timeshare loans as installment loans rather than mortgage debt

Additionally, we revise Freddie Mac Loan Product Advisor[®] (LPA[®]) guidelines to align with recently announced Freddie Mac updates. With these LPA updates, we:

- revise requirements related to agencies that provide funds for mortgages
- clarify documentation requirements for individual development accounts (IDAs) with agency matching funds subject to recapture

Note: Freddie Mac also recently announced updates related to lender gifts and grants from the originating lender on Home Possible transactions. As a reminder, Freddie Mac does not purchase Home Possible loans where a gift or grant is provided by the originating lender who is not also the seller of the loan directly to Freddie Mac. Therefore, SunTrust Mortgage cannot purchase Home Possible loans from a Correspondent lender where the Correspondent originating lender has provided a gift or grant.

Intended Audience

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

Saturday August 19, 2017

PIW updates are effective for Desktop Underwriter[®] (DU[®]) Version 10.0 and 10.1 loan casefiles submitted or resubmitted to DU on or after this date.

Friday, September 1, 2017

The LPA updates related to agency-provided funds and IDAs are effective for new loan applications taken on or after this date.

All other 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 several Agency guidelines in the following publications: Fannie Mae SEL-2017-06, Desktop Originator/Desktop Underwriter Release Notes DU Version 10.0 and 10.1 August Update, and Freddie Mac Bulletin 2017-11. In response to these announcements, we reviewed impacted guidelines and identified opportunities to implement revisions to align with Fannie Mae and Freddie Mac requirements.

Additionally, we continue to improve our guidelines by adopting Agency specific language.

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Bulletin Details

PIW Guideline Updates

For DU loans, aligning our PIW guidance with Fannie Mae as follows:

- The following purchase transactions are eligible to receive PIW offers:
 - One-unit properties, including condominiums
 - Primary residence and second home transactions with LTV/TLTV/HTLTV ratios up to 80%
- Purchase transactions using a gift of equity are not eligible for a PIW
- PIW offer must exist on the final submission to DU

Note: All other existing eligibility requirements for PIW offers continue to apply.

Other Revisions and Guideline Improvements

- For non-AUS and DU loans, aligning with Fannie Mae by:
 - Adding the option of reducing the borrowers monthly qualifying income by the amount of the monthly alimony payment in lieu of including it as a monthly payment in the calculation of the DTI ratio; when using this new option:
 - Enter the adjusted income figure as the income amount in DU
 - Disregard the DU message requiring inclusion of the alimony obligation as a monthly liability that is issued whenever the borrower declares on the loan application that they are obligated to pay alimony
 - **Example:** Borrower monthly income is \$4,000, Other Liabilities of \$1,500 and Alimony of \$500
 - Current:** $\$2,000 \text{ liabilities} / \$4,000 \text{ income} = 50\% \text{ DTI}$
 - Future:** $\$1,500 \text{ liabilities} / \$3,500 \text{ income} = 43\% \text{ DTI}$
 - Adding requirements for borrowers scheduled to begin employment after the loan closes. This option is limited to loans that meet the following criteria:
 - The transaction is a one-unit, primary residence, purchase
 - The borrower is not employed by a family member or by an interested party to the transaction
 - The borrower is qualified using only fixed base income
 - The borrowers start date is within 90 days of the note date
 - The lender must obtain and review the borrower's offer or contract for future employment. The employment offer or contract must:
 - clearly identify the employer and the borrower, be signed by the employer, and be accepted and signed by the borrower;
 - clearly identify the terms of employment, including position, type and rate of pay, and start date; and
 - be non-contingent.
 - Applicable additional reserve requirements are met
 - Use Special Feature Code (SFC) 707 to identify loans where the borrowers offer or contract for future employment and income is used to underwrite and close the loan

Action Required

Origination, Processing, Underwriting, Closing, Delivery, Compliance, and Legal Starting September 1, 2017

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

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Bulletin Details, continued

Other Revisions and Guideline Improvements, continued

- Incorporating requirements to exclude mortgages paid by others from the DTI ratio when the party making the payments is obligated on the mortgage debt, and can document the most recent 12 month satisfactory payment history with no delinquent payments
- Updating guidelines to treat timeshare loans as installment loans rather than mortgage loans, regardless of whether the timeshare loan is reported as a mortgage debt on the credit report
- Adding the following two subtopics to the "Income" topic:
 - Farmland Income
 - IRS Forms Reference
- Refreshing the following subtopics to adopt Fannie Mae specific language/presentation (as previously announced in [COR17-026](#)); guideline intent remains the same:
 - Qualifying ratios
 - Disputed tradelines
 - Student loans
- Adding minor updates, that align with current guidelines, to the list of income and employment types requiring either the past one or two years of federal income tax returns
- For LPA loans, aligned with Freddie Mac by:
 - Revising requirements related to agencies that provide funds for mortgages to reflect that for the subject mortgage, unless the source of funds is an employer assisted homeownership (EAH) benefit, the agency providing the funds must not:
 - Be the lender or have participated in any aspect of the mortgage origination process
 - Be affiliated with, under contract to, or financed (directly or indirectly) by the lender or any party that participated in the mortgage origination process

Note: For these purposes, "affiliated with" means that the agency and the lender or other party are related to each other as a consequence of one entity directly or indirectly controlling the other party, being controlled by the other party or being under common control with that party.

- Clarifying documentation requirements for IDAs with agency matching funds subject to recapture to exempt the lender from providing evidence that the funds do not have to be repaid

Before and After Matrices

[Click here](#) to see the before-and-after matrix that provides a detailed overview of the PIW guideline updates effective for DU 10.0 and 10.1 loan casefiles submitted or resubmitted to DU on or after August 19, 2017.

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

[Click here](#) to see the before-and-after matrix that provides a detailed overview of the updates related to LPA agency-provided funds and IDA updates.

Revised Material

Click [Agency Loan Programs](#), [Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages](#), 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.

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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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