

# Product Support Bulletin



Information for Correspondent Lenders of SunTrust Mortgage, Inc.  
September 29, 2017 • COR17-037

Alert

**Update**

Reminder

Clarification

Training  
Information

Preview

## Freddie Mac's LPA Automated Collateral Evaluation Now Eligible

SunTrust Mortgage, Inc. aligns with Freddie Mac and now permits Loan Product Advisor® (LPA®) mortgages eligible for an automated collateral evaluation (ACE). For certain standard Agency, Agency Plus, and Home Possible LPA mortgages, the ACE provides a lender with the option to accept an appraisal waiver and originate the mortgage without an appraisal.

### Intended Audience

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

**Friday, September 29, 2017**

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

### Background Information

Freddie Mac Bulletin 2017-8 announced the release of their new LPA ACE for certain "no cash-out" refinance transactions. Freddie Mac Bulletin 2017-13 announced an expansion of ACE eligibility to include purchase transactions and updates to the listing of mortgages ineligible for ACE. In response to these Freddie Mac publications, we reviewed impacted guidelines and identified opportunities to implement revisions to align with Freddie Mac requirements.

### Bulletin Details

#### What is ACE

Freddie Mac's ACE provides lenders with the option to waive the appraisal requirements for certain standard Agency, Agency Plus, and Home Possible LPA purchase and "no cash-out" refinance transactions. If LPA identifies a loan as eligible for the appraisal waiver, and the borrower/lender accepts the appraisal waiver offer, the lender is not required to obtain an appraisal and will be relieved of representation and warranties related to value, condition, and marketability of the property. There is no fee associated with the acceptance of the appraisal waiver.

#### Eligible Mortgages

The following requirements must be met for mortgages to be eligible to receive an appraisal waiver offer:

- The mortgage must be secured by a 1-unit primary residence or second home
- The mortgage must have a LTV/TLTV ratio less than or equal to 80%
- The mortgage must be a purchase transaction or a "no cash-out" refinance

### Action Required

**Origination, Processing, Secondary Marketing, Underwriting, Closing, Delivery, Funding, Compliance, and Legal Starting September 29, 2017**

Apply the guidelines as outlined in this bulletin.

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## Bulletin Details, continued

### Ineligible Mortgages

- The following mortgages are not eligible for an appraisal waiver:
  - Mortgages for which an appraisal has been obtained in connection with the mortgage
  - Cash-out refinances
  - Texas Equity Section 50(a)(6) mortgages
  - Mortgages secured by one of the following:
    - A 2-4 unit property
    - A condominium unit
    - An investment property
    - A manufactured home
    - A leasehold estate
  - Mortgages secured by mortgaged premises subject to resale restrictions
  - Construction Conversion and Renovation Mortgages
  - Freddie Mac Relief Refinance Mortgages<sup>SM</sup> – Same Servicer or Open Access
  - Mortgages with Freddie Mac Settlement Dates (i.e., the date the loan is purchased by Freddie Mac) more than 120 days from the note date
  - Non-arm's length transactions
  - Purchases of REO properties (as identified in the sales contract)
  - Mortgages with an estimate of value or purchase price greater than \$1,000,000

**Note:** The maximum \$1,000,000 estimate of value does not apply for “no cash-out” refinance transactions that were submitted to LPA **prior to** September 1, 2017, even if resubmitted to LPA after that date. This will ensure that eligible refinance loans over this new limit that were submitted **prior to** September 1, 2017 and received the ACE eligibility offer, do not lose the offer based on the limit.

- In addition, lenders may not accept the appraisal waiver offer if any of the following apply:
  - The lender is required by law or regulation to obtain an appraisal
  - The lender is aware of conditions it believes warrant an appraisal being obtained. Examples include, but are not limited to:
    - The property is located in an area recently impacted by a disaster
    - A contaminated site or hazardous substance exists affecting the property or the neighborhood in which the property is located
    - Adverse physical property conditions that are apparent based on the review of the sales contract, property inspection, disclosure from the borrower, etc.

### How to Determine ACE Eligibility

If eligible for the ACE, the Feedback Certificate will include the following information:

- **Results Section:** Appraisal Types/MAF field indicates NO APPRAISAL MAF

Results		
AUS STATUS	APPRAISAL TYPE/MAF	LOAN PROCESSING STAGE
Complete	NO APPRAISAL MAF	Application/Processing
ASSESSMENT TYPE	LPA VERSION	LPA ASSESSMENT EXP. DATE
Credit Only	\$4.3.00	07/04/2017

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## Bulletin Details, continued

### How to Determine ACE Eligibility, continued

- **Property & Appraisal Section:**

- Message HA "Loan is eligible for collateral representation and warranty relief with an appraisal waiver until [expiration date]. Freddie Mac accepts the submitted value estimate or purchase price as the value of the subject property; therefore, an appraisal is not required and Seller is relieved of representation and warranties related to value, condition and marketability. If an appraisal is obtained, it must be submitted to the UCDP, and the associated loan will not be eligible for an appraisal waiver."
- Message B1 "This loan is eligible for an appraisal waiver. If the waiver is not accepted an appraisal is required."

### Before and After Matrix

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

**Note:** We acknowledge that Freddie Mac recently announced revised appraisal requirements for Agency Plus transactions in Freddie Mac Bulletin 2017-20. Those revised requirements are not reflected in the above referenced before-and-after matrix; however, we will fully align with that update in a future communication bulletin.

### Revised Materials

Click [Underwriting](#), [Appraisal Guidelines](#), [Agency Loan Programs](#), and [Correspondent Agency Overlay Matrix](#) 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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