

Product Support Bulletin



Information for Correspondent Lenders of SunTrust Mortgage, Inc.
December 15, 2017 • COR17-046

Alert

Update

Reminder

Clarification

Training
Information

Preview

New Agency 5/5 ARM Product and Student Loan Cash-Out Refinance

SunTrust Mortgage, Inc. releases fully amortizing Agency 5/5 Constant Maturity Treasury (CMT) adjustable rate mortgage (ARM) products with a 2% initial cap, 2% periodic cap, and 5% lifetime cap (2/2/5) structure, which are eligible for non-AUS, Desktop Underwriter[®] (DU[®]), and Loan Product Advisor[®] (LPA[®]), as applicable for the specific loan program.

Additionally, we introduce Fannie Mae's Desktop Underwriter[®] (DU[®]) student loan cash-out refinance feature, which allows for payoff of student loan debt through the refinance transaction.

Intended Audience

Origination
Processing

Secondary
Marketing

Underwriting

Closing
Delivery
Funding

Compliance Legal

Other

Effective Dates

Monday, December 18, 2017
All updates are effective for loans locks on or after this date.

Background Information

Fannie Mae Announcement SEL-2017-06 and Freddie Mac Bulletin 2017-20 announced updates supporting the 5/5 ARM plan. Fannie Mae Announcement SEL-2017-04 announced the release of their student loan cash-out refinance feature. In response of these publications, we reviewed impacted guidelines and identified opportunities to implement revisions to more closely align with Fannie Mae and Freddie Mac requirements.

Bulletin Details

5/5 CMT ARM Plan

Highlights of the new fully amortizing 5/5 ARM products are as follows:

- Available for the following Agency loan programs:
 - Standard Agency (non-AUS, DU, LPA)
 - Agency Plus (DU, LPA)
 - HomeReady (non-AUS, DU)
- 5/5 ARM product features are outlined in the table below:

Action Required

Origination, Processing, Secondary Marketing, Underwriting, Closing, Delivery, and Funding
Starting December 18, 2017

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

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Bulletin Details, continued

5/5 CMT ARM Plan, continued

5/5 ARM Plan Feature	Definition
Initial Fixed Rate Period	Five years
Subsequent Interest Rate Adjustments	Every five years
Adjustment Cap Structure	2% initial adjustment and 2% subsequent adjustments
Lifetime Interest Rate Cap	5%
Lifetime Interest Rate Floor	Rate can never go below the margin
Index	Five-Year CMT
Margin	2.00%
Qualifying Rate	Greater of the note rate or fully indexed rate plus 2%
Assumability Provisions	Anytime
Conversion Option	Not available
Note/Rider	Fannie Mae 3514 Note or state specific version / Fannie Mae 3131 Rider

Student Loan Cash-Out Refinance

For DU loans, we introduce Fannie Mae's student loan cash-out refinance feature, which allows for payoff of student loan debt through the refinance transaction with a waiver of the cash-out refinance loan-level price adjustment (LLPA), when certain requirements are met:

- Standard cash-out LTV/TLTV/HTLTV ratios apply
- At least one student loan must be paid off with proceeds from the subject transaction with the following criteria:
 - Proceeds must be paid directly to the student loan servicer at closing,
 - at least one borrower must be obligated on the student loan(s) being paid off, and
 - the student loan must be paid in full (partial payments are not permitted)
- Only subordinate liens used to purchase the property may be paid off and included in the new mortgage (no other debts can be paid off and included in the new mortgage)
- The borrower may receive up to the lesser of 2% of the new refinance loan amount or \$2,000 as cash back
- Select the "Student Loan Cash-Out Refinance" loan category in LendingSpace to waive the cash-out refinance LLPA, for loans qualified as student loan cash-out refinances

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](#), [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 matrix provided in the Bulletin Details section of this bulletin 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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