

Product Support Bulletin

Information for Correspondent Lenders of SunTrust Mortgage, Inc.
February 2, 2018 • COR18-005



Alert

Update

Reminder

Clarification

Training
Information

Preview

Agency Enhanced LPA Assets as Income and Other Revisions

SunTrust Mortgage, Inc. revises Agency Loan Product Advisor® (LPA®) guidelines to align with recently announced Freddie Mac updates. Highlights of the updates include:

- expanding assets as qualifying income guidance to include depository accounts and securities
- permitting restricted stock (RS) and restricted stock units (RSU) as an eligible source of qualifying income
- specifying that any stock with limitations on its accessibility is not an eligible source of funds to qualify the borrower

Additionally, we continue to provide Agency overlay relief and guideline improvements.

Intended Audience

Origination
Processing

Secondary
Marketing

Underwriting

Closing
Delivery
Funding

Compliance
Legal

Other

Effective Dates

Friday, February 2, 2018

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

Background Information

Freddie Mac Bulletin 2017-20 announced updates impacting assets as a basis for repayment of obligations, RS and RSU income, appraisal requirements, and condominium unit insurance guidelines. Freddie Mac Bulletin 2017-03 announced an additional appraisal related updated regarding reconciling multiple opinions of market value. In response to these publications, we reviewed impacted guidelines and identified opportunities to implement revisions to align with Freddie Mac requirements.

Additionally, in support of our guideline improvement initiative, we continue to modify our guidelines to more closely reflect the Agencies' language and/or presentation of guidance.

Bulletin Details

Assets as a Basis for Repayment of Obligations Guideline Revisions

For LPA loans, aligning with Freddie Mac by:

- Adding non-retirement depository accounts or securities as an eligible asset type for repayment of monthly obligations when the following requirements are met:

Action Required

Origination, Processing, Secondary Marketing, Underwriting, Closing, Delivery, Funding, Compliance, and Legal Starting February 2, 2018

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

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Bulletin Details, continued

Assets as a Basis for Repayment of Obligations Guideline Revisions, continued

- The borrower must solely own assets or, if asset is owned jointly, each asset owner must be a borrower on the mortgage and/or on the title to the subject property
- At least one borrower who is an account owner must be at least 62 years old
- As of the note date, the borrower must have access to withdraw the funds in their entirety, less any portion pledged as collateral for a loan or otherwise encumbered, without being subject to a penalty
- Account funds must be located in a United States or State-regulated financial institution and verified in U.S. dollars
- Removing the requirement that no more than 70% of the balance of an eligible asset be used as a basis for the debt-to-income ratio calculation, subject to additional requirements for items that must be subtracted from the total, as follows:
 - Any funds required to be paid by the borrower to complete the transaction (e.g., down payment and closing costs)
 - Any gift funds and borrowed funds, and
 - Any portion of assets pledged as collateral for a loan or otherwise encumbered

RS and RSU Income Guideline Revisions

Freddie Mac recognizes that employers increasingly include RS and RSUs as a component of employee compensation

- RS are grants of company shares which represent equity interest in the company
- RSU are grants valued in terms of company shares that do not represent equity interest in the company

As a result, for LPA loans, we align with Freddie Mac to allow RS and RSUs as qualifying income, and provide requirements on how to calculate, analyze, and document these types of income subject to the following vesting provisions:

- Performance-based vesting
- Time-based vesting

Other Guideline Improvements and Overlay Relief

A summary of the other Agency updates are as follows:

- For LPA loans, aligning with Freddie Mac by:
 - Specifying that any stock with limitations on its accessibility is not an eligible source of funds to qualify the borrower for the mortgage transaction
 - Revising appraisal guidance by:
 - Removing Agency Plus field review appraisal requirements when the LTV/TLTV/HTLTV ratio is greater than 75% and the value is \$1,000,000 or greater
 - Specifying that an unlicensed or trainee (or similar classification) appraiser may perform and sign an appraisal report in accordance with state law, provided a supervisory appraiser signs the appraisal report
 - Removing the requirement that a lender use the lower value when multiple appraisals are considered equally accurate and well supported. In the appraisal review and reconciliation process, the lender is required to rely on the most accurate and supported opinion of market value.
 - Permitting copies of multiple listing services (MLS) photographs for comparable sales
 - Clarifying that an HO-6 unit owner policy is acceptable when the condominiums homeowners association (HOA) master policy does not cover the unit or the improvements to the unit
 - Removing the cash-out and "no cash-out" refinance overlay stating that properties listed for sale be taken off the market before the disbursement date of the new loan
- Updating Desktop Underwriter® (DU®) Property Inspection Waiver (PIW) guidance to reflect that eligibility is based on LTV/TLTV ratios, not LTV/TLTV/HTLTV ratios

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Bulletin Details, continued

Other Guideline Improvements and Overlay Relief, continued

- Revising the “Employment-Related Assets as Qualifying Income” subtopic name to “Assets: Employment-Related Assets as Qualifying Income / Assets as a Basis for Repayment of Obligations (LPA Terminology)” within the income topic

Before and After Matrix

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

Revised Materials

Click [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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