

# Product Support Bulletin

Information for Correspondent Lenders of SunTrust Mortgage, Inc.  
February 23, 2018 • COR18-006



Alert

Update

Reminder

Clarification

Training  
Information

Preview

## Income Commencing after the Note Date Revisions and New Financing Options for Energy Improvements

SunTrust Mortgage, Inc. revises Agency product guidelines to more closely align with previously announced Fannie Mae and Freddie Mac updates. With these updates we:

- expand Loan Product Advisor® (LPA®) requirements for qualifying a borrower for a mortgage when the borrower's qualifying income will start after the note date
- remove overlays and provide additional flexibilities (for all underwriting methods) related to the payoff of a Property Assessed Clean Energy (PACE) loan with the proceeds from a limited cash-out/"no cash-out" refinance transaction
- provide new financing options for energy-efficient related home improvements, available in conjunction with Fannie Mae's HomeStyle® Energy and Freddie Mac's Energy Conservation Improvements features

### Effective Dates

All updates are effective immediately, for new and existing loan applications on or after February 23, 2018.

### Background Information

Fannie Mae Announcement SEL-2016-03, Freddie Mac Bulletin 2016-16, and Freddie Mac Bulletin 2017-28 announced updates impacting Agency guidelines related to the following: income commencing after the note date, paying off PACE financing, and financing options for energy-efficient related home improvements. In response to these announcements, we reviewed impacted guidelines and identified opportunities to implement revisions to more closely align with Fannie Mae and Freddie Mac requirements.

### Bulletin Details

#### Income Commencing after the Note Date Revisions

We align with Freddie Mac's "Option #1" expanded LPA requirements for qualifying borrowers with income that will start after the note date. Key changes include:

- Expanding the timeframe between the note date and the commencement of the qualifying income to be up to a maximum of 90 days (*previously only allowed up to 60 days*)
- Allowing a "no cash-out" refinance as an eligible transaction type (*previously only allowed purchase transactions*)
- Permitting a future salary increase with the borrower's current employer as qualifying income, provided the documentation indicates the increase is fully approved and explicitly granted to the borrower
- Revising the calculation of the additional verified funds required to qualify the borrower
- Removing the requirement for the lender's written analysis confirming the employment contracts are reasonably common to the particular employment field, industry and/or region
- Requiring Special Feature Code (SFC) H57 to identify a mortgage where the borrower qualifies with income commencing after the note date under the above expanded requirements

**Note:** SunTrust Mortgage does not offer Freddie Mac's "Option #2" requirements for income commencing after the note date (*where Freddie Mac indicates the commencement of income from new primary employment **must** be before the delivery date and where Freddie Mac also permits cash-out refinance, 2-4 unit primary residence, second home, and 1-4 unit investment property transactions*).

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## Bulletin Details, continued

### **NEW:** Fannie Mae's HomeStyle Energy and Freddie Mac's Energy Conservation Improvements Features

- Fannie Mae's HomeStyle Energy mortgage feature provides the following options to borrowers who wish to improve the energy efficiency of an existing property and decrease its related utility costs:
  - Paying off a PACE loan or other debt incurred for energy-related improvements in a limited cash-out refinance, or
  - Financing energy-related renovations up to 15% of the "as completed" value of the property in a purchase or limited cash-out refinance transaction
- Freddie Mac's Energy Conservation Improvements feature permits the purchase of a property that is to be retrofitted, refurbished or improved with energy conservation components.
- Use SFC 375 to identify a non-AUS or Desktop Underwriter<sup>®</sup> (DU<sup>®</sup>) loan originated using Fannie Mae's HomeStyle Energy feature **or** a LPA mortgage originated using Freddie Mac's Energy Conservation Improvements feature.
- See the attached related before and after matrix for additional details related to these new feature offerings.

### Additional PACE Payoff Relief

For LPA loans, we remove our existing overlay and revise requirements to allow a PACE loan to be paid off with the proceeds of a "no cash-out" refinance transaction. Use SFC H61 to identify a Freddie Mac-owned "no cash-out" refinance mortgage where a PACE obligation is paid off with the mortgage proceeds.

**Note:** Under the above referenced LPA guidelines and the *new* Fannie Mae HomeStyle Energy mortgage feature guidelines, the PACE obligation must be paid in full. A limited cash-out/"no cash-out" refinance transaction with a PACE loan remaining in a first or subordinate lien position to the new mortgage transaction remains ineligible.

### Before and After Matrices

[Click here](#) to see the before and after matrix that provides a detailed overview of the income commencing after the note date guideline revisions.

[Click here](#) to see the before and after matrix that provides a detailed overview of Fannie Mae's HomeStyle Energy feature, Freddie Mac's Energy Conservation Improvements feature, and the additional PACE payoff guidelines updates.

### Revised Materials

Click [Agency Loan Programs](#), [Fannie Mae HomeReady<sup>®</sup>](#) and [Freddie Mac Home Possible<sup>®</sup> 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 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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