

Product Support Bulletin

Information for Correspondent Lenders of SunTrust Mortgage, Inc.
March 2, 2018 • COR18-010



Alert

Update

Reminder

Clarification

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Information

Preview

Frozen Credit, Cash-Out Refinance Waiting Period, and Other Agency Revisions

SunTrust Mortgage, Inc. revises Agency product guidelines to align with recently announced Fannie Mae updates. With these updates we:

- provide guidance for underwriting borrowers with frozen credit
- revise cash-out refinance guidelines to allow the time held in a limited liability corporation (LLC) or in an inter vivos revocable trust to count towards the borrower's six-month ownership requirement, when certain criteria are met
- clarify premium pricing/lender credit requirements

Effective Dates

All updates are effective immediately, for new and existing loan applications on or after March 2, 2018.

Background Information

Fannie Mae Announcement SEL-2017-10 included updates related to the following: underwriting borrowers with frozen credit, cash-out refinance waiting periods for properties owned by an LLC or inter vivos revocable trust, and the use of premium pricing/lender credit. In response to this publication, we reviewed impacted guidelines and identified opportunities to implement revisions to align with Fannie Mae.

Bulletin Details

Underwriting Borrowers with Frozen Credit

For non-AUS and DU loans, we align with Fannie Mae and provide guidance for underwriting borrowers who have frozen their credit at **one** of the three national credit repositories.

- For borrowers with traditional credit, the credit report is acceptable as long as:
 - credit data is available from two repositories,
 - a credit score is obtained from at least one of those two repositories, and
 - a three in-file merged report is requested.
- If the borrower's credit information is frozen at **one** of the credit repositories, and no credit score is available from any other repository, underwrite the borrower following the requirements for nontraditional credit.
- Loans for borrowers with credit data frozen at two or more of the credit repositories are not eligible.

Note: Fannie Mae implemented this change in DU the weekend of November 18, 2017.

Cash-Out Refinance Waiting Period for Properties Owned by a LLC or Inter Vivos Revocable Trust

For non-AUS and DU loans, we align with Fannie Mae and revise requirements related to the waiting period prior to a cash-out refinance transaction as follows:

- If the property was owned prior to closing by a LLC that is majority-owned or controlled by the borrower(s), the time it was held by the LLC may be counted towards meeting the borrower's six-month ownership requirement. (In order to close the refinance transaction, ownership must be transferred out of the LLC and into the name of the individual borrowers).
- If the property was owned prior to closing by an inter vivos revocable trust, the time held by the trust may be counted towards meeting the borrower's six-month ownership requirement if the borrower is the primary beneficiary of the trust.

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Bulletin Details, continued

Use of Premium Pricing/Lender Credit

For non-AUS and DU loans, we align with Fannie Mae and clarify requirements on premium pricing/lender credit to reflect the following additional guidance:

- Lender credit cannot be used to fund any portion of the borrower's down payment or reserves, and should not exceed the amount needed to offset the borrower's closing costs.
- Any excess lender credit required to be returned to the borrower in accordance with applicable regulatory requirements is considered an overpayment of fees and charges, and may be applied as a principal curtailment or returned in cash to the borrower.
- A lender credit derived from premium pricing is not considered an interested party contribution even if the lender is an interested party to the transaction.
- Community Seconds[®] loans used to provide down payment assistance may not be funded in any way through the first lien mortgage, such as through premium pricing.

Before and After Matrix

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

Revised Materials

Click [Agency Loan Programs](#) 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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