

Product Support Bulletin

Information for Correspondent Lenders of SunTrust Mortgage, Inc.
April 20, 2018 • COR18-019



Alert

Update

Reminder

Clarification

Training
Information

Preview

New HomeStyle Renovation Option, Expanded HomeStyle Energy Flexibilities, and Other Agency Revisions

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

- provide new financing options available in conjunction with Fannie Mae's HomeStyle[®] Renovation mortgage
- provide additional HomeStyle Energy origination flexibilities
- expand Desktop Underwriter[®] (DU[®]) eligibility for the payoff of a Property Assessed Clean Energy (PACE) loan in a limited cash-out refinance transaction
- increase the allowable age of documents for properties located in a FEMA-declared disaster area
- clarify inter vivos revocable trust signature requirements
- remove obsolete detached condo project review requirements

Effective Dates

All updates are effective immediately for new and existing loan applications on or after April 20, 2018.

Background Information

Fannie Mae SEL-2018-02 announced updates that provided additional origination flexibilities with the HomeStyle Renovation and HomeStyle Energy financing options, expanded PACE payoff options, more relief for borrowers impacted by a disaster, and clarified inter vivos revocable trust signature requirements. In response to this announcement, we reviewed impacted guidelines and identified opportunities to implement revisions to more closely align with Fannie Mae requirements. Additionally, we clarify detached condo project review requirements to align with previously published guidance.

Bulletin Details

NEW: Fannie Mae's HomeStyle Renovation Mortgage Option

- Fannie Mae's HomeStyle Renovation mortgage enables a borrower to purchase a property or refinance an existing loan and include funds in the loan amount to cover the costs of repairs, remodeling, renovations, or energy improvements to the property.
- All HomeStyle Renovation mortgage transactions must be underwritten by the Correspondent lender (approved by SunTrust Mortgage for delegated underwriting authority). HomeStyle Renovation mortgage transactions are not eligible for purchase if SunTrust Mortgage underwrites the loan.
- SunTrust Mortgage's HomeStyle Renovation mortgage option aligns with Fannie Mae's offering, except as follows:
 - We require delivery of all HomeStyle Renovation loans for purchase (by SunTrust Mortgage) within 9 months of the date of the mortgage note. Additionally, we require all renovation work to be complete when the loan is delivered to SunTrust Mortgage for purchase. SunTrust Mortgage will not purchase a HomeStyle Renovation mortgage *prior to* completion of the renovation work.
 - We do not permit non-profit investors and local government agencies for consideration as eligible borrowers (*which Fannie Mae permits on a negotiated basis only*)
 - Manufactured homes continue to remain **ineligible** for all programs, including HomeStyle Renovation.
- Use Special Feature Code (SFC) 279 to identify a non-AUS or DU HomeStyle Renovation mortgage. When the HomeStyle Renovation mortgage includes financing of energy-related improvements, in addition to SFC 279, also use SFC 375 to identify the HomeStyle Energy feature.
- See the attached before and after matrix for additional details related to this new offering.

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Bulletin Details, continued

Expanded HomeStyle Energy Flexibilities

We align with Fannie Mae by removing certain requirements and adding flexibilities to the HomeStyle Energy feature. Highlights of the updates include the following:

- For non-AUS and DU loans:
 - Removed the dollar restrictions for the pay-off of PACE loans and expanded payoff eligibility to purchase transactions
 - HomeStyle Energy may now be used to create home resiliency for environmental disasters such as floods, storms, and earthquakes, or to repair damage from these types of disasters; radon remediation is also now eligible
 - An energy report is no longer needed for:
 - certain energy-related improvements (such as water efficiency devices, solar panels, radon remediation), or
 - refinances of existing consumer debt incurred to purchase or install energy-related improvements that a borrower pays off in the transaction
- For DU loans, increased the maximum allowable LTV ratio to 97% for fixed-rate mortgages on one-unit, primary residence, purchase, and limited cash-out refinance transactions; all other requirements related to DU loans with LTV ratios of 95.01 to 97% continue to apply
- For non-AUS loans, increased the maximum debt-to-income ratio from 38% to 45%

Note: Manufactured homes continue to remain *ineligible* for all programs, including HomeStyle Energy.

Additional PACE Payoff Relief

We align with Fannie Mae and now permit the payoff of a PACE loan (originated prior to July 6, 2010), in a DU limited cash-out refinance transaction that is **not** originated in conjunction with Fannie Mae's HomeStyle Energy feature.

Important Note: Loan casefiles underwritten in DU as a limited cash-out refinance may receive an Ineligible recommendation when it appears the borrower is receiving more than 2%/\$2,000 cash back due to the payoff of a PACE loan. Lenders may proceed with the "Approve/Ineligible" recommendation provided the mortgage loan meets all PACE payoff requirements.

Age of Document Flexibilities for Loans Impacted by a Disaster

We align with Fannie Mae's age of documentation flexibilities (previously announced in various Fannie Mae Lender Letter and Frequently Asked Questions documents) for non-AUS and DU loans securing properties impacted by a disaster. This flexibility increases the age of documentation from 120 days to 180 days and will apply when the property securing the mortgage loan is located in a FEMA-declared disaster area eligible for Individual Assistance. Lenders can now leverage this flexibility as soon as FEMA declares a disaster area in the location where the property is located.

Reminder: Lenders who wish to receive representation and warranty relief offered by the DU validation service must continue to comply with all conditions in the DU Underwriting Findings Report, including the close by date.

Inter Vivos Revocable Trust Signature Requirements

Correspondent Bulletin [COR 18-012](#) announced non-AUS and DU updates regarding signature requirements when an inter vivos revocable trust is involved. At that time, Fannie Mae added a new block in their Exhibit E-2-05, Signature Requirements for Mortgages to Inter Vivos Revocable Trusts, titled *Form of Trust's Signature Required on Mortgage Note*. Due to questions received from lenders, Fannie Mae replaced the *Form of Trust's Signature Required on Mortgage Note* content with a new block titled, *Optional Limitation on Trust Liability*. The new content more clearly describes the non-recourse option. [Click here](#) to view Fannie Mae's revised Exhibit E-2-05. We fully align with Fannie Mae's inter vivos revocable trust signature requirements.

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Bulletin Details, continued

Detached Condo Project Review Requirements

For non-AUS and DU loans, Correspondent Bulletin [COR 18-012](#) announced the waiver of project review requirements for all detached condo units. We remove obsolete detached condo project review requirements from the “Full Review Process (Fannie Mae)” subtopic to align with the previously announced guidance in [COR 18-012](#).

Before and After Matrix

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

Revised Materials

Click [Underwriting](#), [Condominium and PUD Approval Requirements](#), [Loan Delivery and Purchase Review](#), [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.

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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