

Product Support Bulletin

Information for Correspondent Lenders of SunTrust Mortgage, Inc.
July 27, 2018 • COR18-038



Alert

Update

Reminder

Clarification

Training
Information

Preview

New Freddie Mac 97% LTV Option, Home Possible 2018 Income Limits, and Other Agency Revisions

SunTrust Mortgage, Inc. announces the upcoming release of Freddie Mac's new standard Agency 97% LTV financing option (also known as *Freddie Mac's HomeOneSM Mortgage*) for first-time homebuyers.

We revise Agency Loan Product Advisor[®] (LPA[®]) product guidelines to align with recently announced Freddie Mac updates. With these updates we:

- implement the 2018 area median income (AMI) limits for Home Possible[®] mortgages
- embrace LPA enhancements and assess eligible Home Possible mortgages against the previous and/or current year AMI limits, applying the **better** of the two year's limits

In support of our guideline improvement initiative, we also announce the following additional revisions to our Agency product guidelines:

- incorporating reference to Freddie Mac's Home Possible Advantage Mortgages naming convention
- providing guidance for financed permanent interest rate buydowns (for all underwriting methods)
- incorporating reference that treating an Affordable Second[®] in LPA as a gift, rather than as secondary financing, is not permitted

Effective Dates

Freddie Mac's new standard Agency 97% LTV financing option for first-time homebuyers is effective for loans locked on or after Monday, August 6, 2018.

The Home Possible 2018 AMI limits and LPA's enhancement to assess eligible Home Possible mortgages against the previous and/or current year AMI limit updates are effective for all Home Possible mortgages submitted/resubmitted to LPA on or after July 29, 2018.

All other guideline improvement revisions are effective for new and existing loan applications on or after July 27, 2018.

Background Information

Freddie Mac Bulletin 2018-7 announced updates related to their new standard Agency 97% financing option for first-time homebuyers and revised Home Possible mortgage income limits. In response to this publication, we identified the opportunity to more closely align with Freddie Mac requirements. Additionally, in support of our guideline improvement initiative, we identified opportunities to refresh our guidelines to promote clarity, consistency, and to more closely reflect the Agencies' presentation of guidance.

Bulletin Details

New and Coming Soon: Freddie Mac's 97% LTV Financing Option (aka Freddie Mac HomeOne Mortgage)

- We introduce Freddie Mac's new standard Agency 97% LTV financing option for first-time homebuyers. This new financing option has no income restrictions and is comparable to Fannie Mae's current standard Agency offering for LTVs 95.01-97%, with the exception of homeownership education requirements.

Important Notes:

- LPA will be updated on July 29, 2018 to support Freddie Mac's new HomeOne Mortgage; however, SunTrust Mortgage will not begin accepting locks for this new financing option until Monday, August 6, 2018.

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Bulletin Details, continued

NEW: Freddie Mac's 97% LTV Financing Option (aka Freddie Mac HomeOne Mortgage), continued

Important Notes, continued

- Additionally, we are adding this new Freddie Mac 97% LTV financing option as a part of our **standard Agency** LPA product offering. SunTrust Mortgage is not adopting Freddie Mac's HomeOne Mortgage naming convention in our guideline documents or systems. Any specific requirements that apply for these transactions that differ from standard Agency LPA requirements are referenced in SunTrust Mortgage LPA guidelines as requirements for standard Agency transactions with an LTV, TLTV, and/or HTLTV ratio greater than 95%.
- Highlights of this new Freddie Mac offering include the following:
 - The maximum LTV/TLTV/HTLTV ratios are as follows:
 - Maximum LTV and HTLTV ratio: 97%
 - Maximum TLTV ratio for mortgages with secondary financing that are **not** Affordable Seconds®: 97%
 - Maximum TLTV ratio for mortgages with Affordable Seconds: 105%
 - **Note:** When the LTV, TLTV, **or** HTLTV is greater than 95%, LPA will automatically assess eligibility for this new 97% LTV financing option. If eligible, new feedback messages will be generated on the LPA Feedback Certificate to clearly identify the loan as a HomeOne Mortgage.
 - Purchase and "no cash-out" refinance transactions only are eligible
 - For a "no cash-out" refinance mortgage, the mortgage being refinanced must be owned or securitized by Freddie Mac unless it has secondary financing that is an Affordable Second
 - Fixed-rate mortgages only are permitted
 - General loan limits only are permitted; super conforming (i.e., Agency Plus) loans are not eligible
 - 1-unit primary residences, including condos and PUDs are eligible
 - For purchase transactions, at least one borrower must be a first-time homebuyer
 - For purchase transactions, when all borrowers are first-time homebuyers, at least one borrower must participate in homeownership education
 - At least one borrower on the mortgage transaction must have a usable credit score, as determined by LPA
 - 35% standard mortgage insurance coverage is required (for LTV ratios greater than 95%)
 - **Note:** Custom mortgage insurance (MI) continues to remain **ineligible** for all LPA transactions, including this new financing option. This is an overlay.
- See the applicable attached before and after matrix for additional details regarding this new financing option

Home Possible Mortgage 2018 AMI Limits

We align with Freddie Mac's 2018 AMI limits for Home Possible mortgages. For all Home Possible mortgages, with the exception of those secured by mortgaged premises located in a low-income census tract, the borrower's income, converted to an annual basis, must not exceed 100% of the area median income (AMI). There continues to be no income limit for mortgages secured by properties located in low-income census tracts where the median income is at or below 80% AMI. To check eligibility in advance of LPA submission, starting July 29, 2018, access the Home Possible 2018 AMI limits via the following link: [Home Possible® Income & Property Eligibility](#) tool.

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Bulletin Details, continued

Home Possible Mortgage 2018 AMI Limits, continued

Important Note: With these revisions, the term “Underserved Area” will no longer be used. Freddie Mac will continue to permit mortgages secured by properties located in designated high-cost areas, census tracts designated as disaster areas and minority census tracts; however, these mortgages will now be subject to the maximum 100% AMI requirement (*rather than the previous higher percentages [income multipliers] in the designated high-cost areas or the “no income limit” for census tracts designated as disaster areas and minority census tracts*), bringing Freddie Mac’s income limit guidelines in line with Fannie Mae’s for HomeReady mortgages.

LPA Enhancement for Home Possible Income Changes

We align with Freddie Mac and embrace LPA’s enhancement to assess eligible Home Possible mortgages against the previous and/or current year AMI limits, applying the **better** of the two year’s limits. The table below provides additional details regarding how LPA will determine which income limit to use.

Loan Product Advisor Determination of Income Limits	
<i>When the mortgage is submitted as a Home Possible Mortgage on and after July 29, 2018, and...</i>	<i>Then the following income limits are applied...</i>
The last submission before July 29, 2018 was also a Home Possible Mortgage, and income limits were met	The better of income limits for 2017 or 2018
<ul style="list-style-type: none">The mortgage is submitted for the first timeThe Key Number cannot be identified, orThe last submission before July 29, 2018 was not submitted as Home Possible and/or did not meet the income eligibility limits	2018

Other Agency Guideline Improvements

Highlights of the other Agency guideline improvements include the following:

- incorporating reference to Freddie Mac’s Home Possible Advantage Mortgages naming convention to further clarify and confirm that we do permit these transactions under our existing Home Possible guidelines as follows:
 - Home Possible fixed-rate mortgages with an LTV and/or TLTV ratio greater than 95% are referred to by Freddie Mac as Home Possible Advantage Mortgages. Any specific requirements that apply for these transactions that differ from standard Home Possible requirements are referenced in SunTrust Mortgage’s guidelines as requirements for Home Possible transactions with an LTV and/or TLTV ratio greater than 95%.
- providing guidance for financed permanent interest rate buydown mortgages (for all underwriting methods)
- incorporating reference that treating an Affordable Second in LPA as a gift, rather than as secondary financing, is not permitted (which is an existing overlay currently documented on the Agency Overlays Matrix)

Before and After Matrices

Click the links below to see the before and after matrices that provide a detailed overview of all updates:

- [Freddie Mac’s 97% LTV Financing Option \(aka Freddie Mac HomeOne Mortgage\)](#)
- [Home Possible Mortgage 2018 AMI Limits](#)
- [Other Agency Guideline Improvements](#)

Revised Materials

Click [Agency Loan Programs](#) and [Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages](#) to review the revised product materials.

Note: Guidelines for Freddie Mac’s new standard Agency 97% LTV financing option for first-time homebuyers will be incorporated into all impacted product materials on **next** Friday, August 3, 2018.

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Former Guidelines

2017 AMI limits applied for Home Possible mortgage loans. See the before and after matrices provided in the Bulletin Details section of this bulletin to access all other 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 3.

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