

Product Release

Information for Correspondent Lenders of SunTrust Bank
January 25, 2019 • COR19-002



Alert

Update

Reminder

Clarification

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Information

Preview

LPA Student Loan, Home Possible, and Other Agency Revisions

SunTrust Bank (SunTrust) revises Agency Loan Product Advisor[®] (LPA[®]) guidelines to more closely align with recently announced Freddie Mac updates. With these updates we:

- revise requirements for qualifying borrowers with student loan debt
- enhance Home Possible[®] requirements to permit non-occupant borrowers, allow ownership of other property without restrictions, and revise verification of rental income payments
- revise cash back requirements for “no cash-out” refinances
- reduce the required time frame for evaluating credit inquiries
- allow a picture of documents for verification of income, employment, and assets
- permit multiple contracts when determining the purchase price of newly constructed homes
- update condominium project insurance requirements for property, liability, fidelity or employee dishonesty, and flood insurance
- revise the income commencing after the note date Special Feature Code (SFC) requirement

Additionally, we refresh Fannie Mae guidelines in support of the Desktop Underwriter[®] (DU[®]) Version 10.3 updates, previously announced in Product Release [COR18-059](#), to align with Fannie Mae’s language and/or presentation of guidance.

Alignment with LPA Automated Income and Asset Assessment, recently announced by Freddie Mac, will be provided in a future communication bulletin.

Effective Dates

All updates are effective immediately for new and existing loan applications on or after January 25, 2019.

Background Information

Freddie Mac Bulletin 2018-13 announced updates related to the following: student loans, Home Possible mortgages, “no cash-out” refinances, credit inquiries, verifying documents, multiple contracts, condominium project insurance, and income commencing after the note date. Fannie Mae SEL-2018-09 announced updates to their *Selling Guide* to reflect the changes announced in DU/Desktop Originator[®] Version 10.3 Release Notes. In response to these publications, we reviewed impacted guidelines and identified opportunities to more closely align with the Agencies’ requirements and/or presentation of guidance.

Bulletin Details

LPA Student Loan Debt Revisions

For LPA loans, we align with Freddie Mac by simplifying requirements for calculating the student loan payment amount for qualifying purposes by:

- Aligning requirements for student loans in repayment, deferment, or forbearance, as follows:
 - If the monthly payment amount is greater than zero, use the monthly payment amount reported on the credit report or other file documentation, or
 - If the monthly payment amount reported on the credit report is zero, use 0.5 % of the outstanding loan balance, as reported on the credit report

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Bulletin Details, continued

Home Possible Enhancements

For LPA loans, we align with Freddie Mac by:

- Permitting non-occupant borrowers on mortgages secured by 1-unit properties when the LTV/TLTV/HTLTV ratio is less than or equal to 95% (a TLTV ratio up to 105% is permitted for mortgages with Affordable Seconds[®])
- Allowing ownership of other property without restrictions
- Revising the verification of rental income payments from a 1-unit primary residence, as follows:
 - Evidence of receipt of regular payments of rental income for at least nine of the past twelve months is required
 - The income must be averaged over twelve months when fewer than twelve months of payments are documented

Other Guideline Revisions

- For LPA loans, we align with Freddie Mac by:
 - Revising “no cash-out” refinance requirements to permit cash back up to the greater of 1% of the new refinance mortgage or \$2,000
 - Reducing the required time frame for evaluating inquiries on the credit report from 120 days to 90 days
 - Specifying that a picture of a document may be provided by the borrower for verification of income, employment, and assets
 - Clarifying that multiple contracts may be combined to determine the purchase price of newly constructed homes (for example, a new home purchase contract combined with a new swimming pool contract)
 - Updating condominium project insurance requirements, including the following:
 - Waiving liability insurance requirements for condominium projects reviewed under the Streamlined Project Review type, Detached Condominium Project Review type, Freddie Mac-owned “no cash-out” refinance condominium unit mortgages, and 2-4 unit condominium projects that meet certain requirements
 - Waiving fidelity or employee dishonesty insurance requirements for condominium projects reviewed under the Streamlined Project Review type, Detached Condominium Project Review type, and Freddie Mac-owned “no cash-out” refinance condominium unit mortgages
 - Permitting a condominium unit to be insured through an individual property or flood insurance policy, in lieu of the condominium homeowners association (HOA) policy, if the condominium governing documents require
 - Allowing condominium projects to have a deductible higher than 5%, if it exceeds 5% due to a per unit deductible for named perils specific to a geographic area, provided the unit owner’s HO-6 policy meets certain requirements
- For LPA loans, we revise the SFC requirement for mortgages originated using income that will start after the note date to qualify the borrower, as follows:
 - We no longer require the use of SFC H57 to identify these mortgages
 - Begin using SFC 707 to identify these mortgages
- For non-AUS and/or DU loans, we revise guidelines in support of the DU Version 10.3 updates, previously announced in Product Release [COR18-059](#), to align with Fannie Mae’s language and/or presentation of guidance. For the impacted revisions, outlined below, guideline intent remains the same.
 - DU credit risk assessment
 - Updates to risk factors evaluated by DU
 - New six month reserve requirement for cash-out refinance transactions with debt-to-income (DTI) ratios exceeding 45%
 - Changes to how loans are underwritten if a borrower has a credit score, based only on medical tradelines
 - Appraisal waiver-related updates for properties located in disaster impacted areas

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Before and After Matrix

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

Revised Materials

Click [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 3.

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