

Product Release

Information for Correspondent Lenders of SunTrust Bank
March 15, 2019 • COR19-010



Alert

Update

Reminder

Clarification

Training
Information

Preview

Upcoming DU Version 10.3 Revisions

SunTrust Bank (SunTrust) announces the upcoming release of updates to Fannie Mae's Desktop Underwriter® (DU®) Version 10.3, scheduled for the weekend of March 23, 2019. The changes in this release will include the following:

- DU validation service enhancements
- HomeReady® area median income (AMI) determination revisions
- Disaster message change
- Other DU messaging updates to align with and/or support previously published and/or announced guideline updates/requirements

Effective Dates

- The DU validation service enhancements are effective for loan casefiles created on or after the weekend of March 23, 2019.
- All other changes in this release will apply to DU Version 10.3 loan casefiles submitted or resubmitted to DU on or after the weekend of March 23, 2019.

Background Information

Fannie Mae's DU Version 10.3 March Update Release Notes announced the upcoming changes to DU version 10.3.

Bulletin Details

DU Validation Service Enhancements

- Messages for income and employment will be simplified and consolidated; 11 new messages will replace 41 existing messages
- The DU validation service will be updated to remove the different treatment of commission income based on the percentage of employment income; see Product Release [COR 19-009](#) for additional details
- DU will be updated to identify inconsistencies between "Rate of Pay" and "Year-to-Date Income" for base pay on verification of income (VOI)/verification of employment (VOE) reports. This update includes the following:
 - If the year-to-date income is less than expected when compared to the rate of pay (within an established tolerance), base income will not be eligible for validation. Other income types (i.e. bonus, overtime, and commission) will remain eligible for validation.
 - If total pay is the only income value reported (there are no income values reported for bonus, overtime, or commission), and total pay is less than expected when compared to the rate of pay (within an established tolerance), base income will not be eligible for validation. Since there are no other income types reported, no other income types would be eligible for validation.

Note: In both instances, the lender will receive a message indicating that DU could not validate the borrower income, and the reason provided will be that the amount of year-to-date earnings is inconsistent with rate of pay.

HomeReady AMI Determination

Currently, when determining the AMI limit to use for HomeReady eligibility, DU attempts to standardize the address to determine the census tract. If DU is unable to standardize the address (no census tract is obtained), and the lender does not provide a Federal Information Processing Standard (FIPS) code that includes the census tract, DU uses the lowest income limit for the state in which the property is located.

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Bulletin Details, continued

HomeReady AMI Determination, continued

With this update, DU will begin using the lowest income limit for the county in which the property is located before the state limit is used. When the subject address cannot be standardized and a census tract cannot be determined, but the state and zip code are provided, DU will use the AMI for the county associated to the center location of the provided zip code to estimate HomeReady eligibility. DU will continue to use the FIPS code when provided by the lender to determine the AMI to be used. If only a partial FIPS code is provided, which includes the state and county codes, DU will use the AMI associated to that specific county.

Disaster Message Change

DU will begin issuing a message on **any** loan casefile that was impacted by a recent disaster. The message will indicate that:

- the property is located in an area that may have been impacted by a recent disaster,
- the lender must take prudent and reasonable actions to determine if the condition of the property has been materially impacted by the disaster,
- the lender must comply with the property eligibility requirements that pertain to properties affected by a disaster, and
- if an appraisal waiver was offered, the lender may continue to use the appraisal waiver if the conditions described above are met.

Note: Previously, this message was only generated for loan casefiles on properties located in disaster impacted areas that were also eligible for an appraisal waiver offer.

Other DU Messaging Updates

- **Retirement of Form 1004MC:** The message referencing the requirement for Fannie Mae Form 1004MC, *Market Conditions Addendum to the Appraisal Report* is being removed (*aligning with the update announced in Product Release [COR 18-049](#)*).
- **Employment-Related Assets as Qualifying Income:** A new message will be issued when an income type of "Employment-Related Assets" is provided, the LTV, TLTV, or HTLTV exceed 70%, and there is not at least one borrower on the loan application that is 62 years old (based on the date of birth or borrower age provided to DU). This message will specify that the lender must ensure that at least one borrower on the loan will be 62 at time of loan closing (*supporting the update announced in Product Release [COR 19-005](#)*).
- **HomeStyle® Renovation:** On a HomeStyle Renovation mortgage loan, the cost of renovations cannot exceed 75% of the lesser of the sum of the purchase price plus renovation costs, or the "as completed" appraised value for purchase transactions; or the "as completed" appraised value for refinance transactions. DU will also include the Energy Improvement Amount and PACE Loan Payoff amount in the calculation to determine if a loan casefile meets the 75% guideline (*supporting currently published guideline requirements*).
- **Small Business Administration Loans:** The message issued by DU when subordinate financing is listed on the loan casefile but there is no corresponding payment entered in the Proposed Monthly Housing Payment section of the application will be updated to specify that including no payment is acceptable if the subordinate lien is related to a business obligation and it complies with Fannie Mae requirements that allows the exclusion of the payment (*aligning with the update announced in Product Release [COR 19-009](#)*).
- **DU Commission Income (Tax Return Documentation Requirement):** DU messages that reference the requirement to obtain IRS Form 1040 will be updated to remove those references (*aligning with the updates announced in [COR 19-009](#)*).
- **Removal for Form 2106 References:** DU messages that reference IRS Form 2106, *Employee Business Expenses* will be updated to remove those references (*aligning with the update announced in Product Release [COR 19-009](#)*).

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Bulletin Details, continued

Other DU Messaging Updates, continued

- **Mortgage Insurance for New York Properties:** A new message will be issued for purchase loan casefiles for properties located in New York when the LTV calculated by DU is over 80% but the requirement for mortgage insurance under the New York statute may be different. This message will remind lenders to determine if mortgage insurance is required based on New York laws (*aligning with currently published requirements*)
- **Reserves to be Verified:** As previously announced in [COR 18-056](#), cash-out refinance transactions for borrowers with a DTI ratio exceeding 45% must have at least six months reserves. The value reflected in **Reserves Required to be Verified** on the DU Underwriting Findings report will be updated to include this amount, at a minimum.

Revised Materials

We will incorporate the updates to the DU validation service guidelines related to commission income validation in the Agency Loan Programs product description on **next** Friday, March 22, 2019. No additional guideline revisions are required as a result of the above referenced updates.

Former Guidelines

See the applicable before and after matrix provided in the Bulletin Details section of [COR 19-009](#) to access the former DU validation service guidelines related to commission income validation.

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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