

# Product Release



Information for Correspondent Lenders of SunTrust Bank  
March 29, 2019 • COR19-012

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## Agency LPA Condominium and Other Guideline Revisions

SunTrust Bank (SunTrust) revises Agency Loan Product Advisor<sup>®</sup> (LPA<sup>®</sup>) product guidelines to align with recently announced Freddie Mac updates. With these updates we:

- update our condo guidelines to embrace flexibilities outlined in Freddie Mac Bulletins 2018-18 and 2019-4
- revise guidance for mortgages that are eligible to be considered for appraised value representation and warranty relief (for loans underwritten by the Correspondent lender)
- further simplify primary residence guidance for borrowers who provide housing for a parent or disabled child
- clarify investment property, purchase transaction requirements
- revise guidelines for properties affected by disasters
- expand sweat equity requirements for Home Possible mortgages

Additionally, we announce the revision of Freddie Mac Form 91, *Income Calculations*.

### Effective Dates

All updates are effective immediately for existing and new loan applications on or after March 29, 2019.

### Background Information

Freddie Mac Bulletins 2018-16, 2018-18, and 2019-4 announced updates impacting LPA condo and various other guideline requirements. In response to these publications, we reviewed impacted guidelines and identified the opportunity to implement revisions to align with Freddie Mac requirements.

### Bulletin Details

#### Condo Guideline Revisions

Highlights of the LPA condo guideline revisions are outlined in the table below. See the attached before and after matrix for additional details.

**Note:** SunTrust is not currently purchasing condo mortgages with an approved Project Waiver Request (PWR) obtained through the use of Freddie Mac's Condo Project Advisor<sup>SM</sup>. We will announce information regarding the purchase eligibility of these loans in a future communication bulletin.

Summary of Condo Guideline Revisions	
Ineligible Project Characteristics	Removing the following from the listing of ineligible project characteristics: <ul style="list-style-type: none"><li>• Investment securities</li><li>• Project that is a legal non-conforming use</li></ul>
Single-Entity Ownership	Increasing the single-entity ownership concentration maximum for projects with 21 or more units from 10% to 25%
<b>New</b> "Exempt From Review" Project Classification	Adding a new "Exempt from Review" Project Classification type; mortgages secured by condominium units in 2- to 4-unit condominium projects are now eligible for delivery under this project classification. <b>Notes:</b> <ul style="list-style-type: none"><li>• Existing requirements for detached condo units and Freddie Mac Owned "No Cash-Out" Refinance condo unit mortgages are now captured under the Exempt from Review requirements.</li><li>• SunTrust requires the use of Special Feature Code (SFC) PEW to identify a condominium unit mortgage originated in accordance with Exempt from Review requirements. <a href="#">Click here</a> for the appropriate process to notify SunTrust of this required SFC. This information is also located within Section 1.08: Loan Delivery and Purchase Review of our <i>Correspondent Seller Guide</i>.</li></ul>

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## Bulletin Details, continued

### Condo Guideline Revisions, continued

Summary of Condo Guideline Revisions	
Investment Property Transactions and Streamlined Reviews	Allowing investment property, attached units in established condo projects to be eligible for a Streamlined Review: <ul style="list-style-type: none"><li>For LTV/TLTV/HTLTV ratios up to 75% for projects outside of Florida</li><li>For LTV/TLTV/HTLTV ratios up to 70% for projects in Florida</li></ul>
Established and New Condo Projects: Unit Conveyance Requirements	<ul style="list-style-type: none"><li><b>Established Condominium Projects:</b> Reducing the unit conveyance requirement from <i>at least 90%</i> unit conveyance to the unit purchasers to <i>at least 75%</i> for projects with greater than four units</li><li><b>New Condominium Projects:</b> Reducing the unit conveyance requirement from <i>less than 90%</i> unit conveyance to the unit purchasers to <i>less than 75%</i> for projects with greater than four units</li></ul>
Established and New Condo Projects: Budget Requirements	Allowing both income in reserve accounts <b>and</b> income allocated to reserve accounts to be excluded when calculating the amount of replacement reserves ( <i>previously lenders were permitted to exclude income in reserve accounts, but not permitted to exclude income allocated to reserve accounts</i> )
New Condo Projects: Engineer's Report Review Requirements	For conversions involving a non-gut rehabilitation, revising the review requirements for an engineer's report (or functionally equivalent documentation) to now apply to buildings legally created within the past <b>three</b> years ( <i>reduced from five years</i> )
2- to 4-Unit Condo Projects: Liability Insurance Requirements	Eliminating the requirements for liability insurance for all review types
PERS Approvals	<b>Florida Condominium Units in New Condominium Projects:</b> Removing existing overlay and increasing the maximum LTV from 85% to 90% for PERS approved, second home transactions
Expiration of Project Reviews	For established condo projects (including Streamlined Review), expanding the expiration of project review timeframe from within 180 days prior to the note date to within one year prior to the note date

We further align with Freddie Mac by reorganizing and refreshing some of the condo guideline content to more closely adopt Freddie Mac specific language and/or presentation of guidance; guideline intent remains the same. See the attached before and after matrices for additional details.

### Appraised Value Representation and Warranty Relief – Loan Collateral Advisor

For LPA loans underwritten by the Correspondent lender, we align with Freddie Mac by:

- expanding the mortgages that are eligible to be considered for appraised value representation and warranty relief to include mortgages secured by condo units
- revising the list of mortgages ineligible for appraised value representation and warranty relief to add mortgages secured by mortgaged premises subject to resale restrictions
- updating guidance to reflect how Loan Collateral Advisor assesses an appraisal

### Reminders:

- If the mortgage insurance (MI) company does not honor the associated representation and warranty relief, lenders are responsible for any consequences of the MI company rescinding coverage.
- At this time, loans utilizing Freddie Mac's appraised value representation and warranty relief are not eligible for purchase if SunTrust underwrites the loan. This does **not** include loans eligible for Freddie Mac's LPA automated collateral evaluation (ACE), that are eligible for relief for value, condition, and marketability.

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## Bulletin Details, continued

### Primary Residence Guidance for Borrowers who Provide Housing for a Parent or Disabled Child

In Product Release [COR19-003](#), we simplified LPA primary residence guidance for borrowers who provide housing for a parent or disabled child by permitting the borrower to be considered an occupying borrower if the property is occupied as a primary residence by an individual(s) who:

- Is the borrower's parent(s), or
- Has a physical or developmental disability and the borrower is the individual(s) parent or legal guardian

Freddie Mac's intent of this language is to include all disabilities. Therefore, aligning with Freddie Mac, we remove the terms "physical" or "developmental" from the language to reflect that intent.

### Investment Properties

For newly constructed homes that are LPA purchase transactions, the borrower may not be affiliated with or related to the builder, developer, or property seller. We clarify these guidelines to state that for these purposes, "affiliated with" means that the borrower may not have an ownership interest in or employment with the builder, developer, or property seller.

### Properties Affected by Disasters

For LPA loans, we align with Freddie Mac by permitting the following flexibilities for mortgages secured by properties located in a designated disaster area:

- increasing the age of credit and capacity underwriting documentation, LPA submission, and appraisal reports from 120 days before the note date to 180 days before the note date; see the attached before and after matrix for additional details regarding when this flexibility can be used
- permitting the eligibility of the ACE appraisal waiver offer for properties in disaster areas if the value and marketability of the mortgaged premises has not been impacted; lenders are responsible for ensuring the property condition requirements related to properties impacted by a disaster are met

### Sweat Equity Requirements for Home Possible Mortgages

We revise Home Possible sweat equity requirements and align with Freddie Mac by:

- permitting sweat equity as a source of funds to cover the entire amount of cash to close for down payment and/or closing costs; use SFC J11 to identify Home Possible mortgages originated with sweat equity as a credit towards the borrower's down payment and/or closing costs
- providing details related to the following: eligible repairs and improvements; determining the value of the sweat equity; and no cash back at closing

### Freddie Mac Form 91, *Income Calculations*

Freddie Mac revised [Form 91](#), *Income Calculations* to reflect line item changes in tax documents resulting from the new tax law.

**Reminder:** The lender must analyze the tax returns and document the calculation of the borrower's self-employed income on [Form 91](#), *Income Calculations*, or a similar alternative form.

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

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## 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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