

# Product Release

Information for Correspondent Lenders of SunTrust Bank  
June 28, 2019 • COR19-028



Alert

Update

Reminder

Clarification

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## Agency Guideline Revisions

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

- lender disclosure requirement on contaminated sites, hazardous substances, or other adverse conditions
- accessory units
- appraisal re-use for a subsequent transaction
- income commencing after the note date
- homeownership education
- LPA resubmission tolerances and requirements

Additionally, we announce a change to the current functionality of Freddie Mac Form 91, *Income Calculations*.

### Effective Dates

- The lender disclosure requirement on contaminated sites, hazardous substances, or other adverse conditions update is effective immediately for new loan applications on or after June 28, 2019.
- All other updates are effective immediately for existing and new loan applications on or after June 28, 2019.

### Background Information

Freddie Mac Bulletin 2019-9 announced updates impacting various LPA guideline requirements. In response to this publication, we reviewed impacted guidelines and identified the opportunity to implement revisions to align with Freddie Mac requirements.

### Bulletin Details

#### Lender Disclosure on Contaminated Sites, Hazardous Substances or Other Adverse Conditions

For LPA loans, Freddie Mac now require lenders to disclose to the borrower any information they are aware of that may adversely affect the market value, condition or marketability of the subject property. This includes, but is not limited to, the presence of any contaminated site, hazardous substance, or other adverse conditions affecting the subject property or neighborhood.

#### Accessory Units

- For 1-unit properties with a legal accessory unit, we revise LPA guidelines to provide the following alternatives for the appraiser to consider when a comparable sale with an accessory unit is not available:
  - If a recent comparable sale with an accessory unit is not available in the subject neighborhood, the appraiser can use an older sale with an accessory unit from the subject neighborhood or a sale with an accessory unit from a competing neighborhood as a comparable sale or as supporting market data. The appraiser may always use more than three comparable sales, including contract sales (pending sales) and/or current listings, to justify and support his or her opinion of market value, as long as at least three are actual closed (settled) sales.
  - If a comparable sale with an accessory unit is not available, the appraiser can use a comparable sale in the subject neighborhood without an accessory unit as long as the appraiser can justify and support such use in the appraisal report **and** develop an accurate opinion of market value for the property.
- Additionally, LPA guidelines now identify an accessory unit as an additional living space that includes at least a kitchen, a bathroom, and a separate entrance and is independent of the primary dwelling unit.

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## Bulletin Details, continued

### Appraisal Re-Use for a Subsequent Transaction

Previously, Freddie Mac required an appraisal update for a subsequent transaction, regardless of the time that had passed since the effective date of the original appraisal. For LPA loans, we revise this requirement to state that an appraisal update is not required unless the effective date of the appraisal is more than 120 days prior to the new note date for the subsequent "no cash-out" refinance.

### Income Commencing After the Note Date

We revise LPA income commencing after the note date "Option #1" requirements to include a worksheet to assist with the calculation of the amount of additional funds required.

**Reminder:** SunTrust does not offer Freddie Mac's "Option #2" requirements for income commencing after the note date (*where Freddie Mac indicates the commencement of income from new primary employment must be before the delivery date and where Freddie Mac also permits cash-out refinance, 2-4 unit primary residence, second home, and 1-4 unit investment property transactions*). This is an existing overlay that remains.

### Homeownership Education

We update LPA homeownership education requirements to specify that homeownership education programs "provided by" **rather than** "developed by" mortgage insurance companies, HUD-approved counseling agencies, Housing Finance Agencies, or Community Development Financial Institutions are acceptable.

### LPA Resubmission Tolerances and Requirements

We revise certain LPA resubmission tolerances related to the debt-to-income (DTI) ratio and loan amount (on a refinance transaction). LPA resubmission is now required:

- any time the new DTI ratio exceeds 45%
- if the loan amount has decreased on a refinance transaction and the lender has accepted an appraisal waiver offer (*to ensure there is no change in the appraisal waiver eligibility*)

Additionally, we provide overlay relief and remove the Special Feature Code (SFC) 912 requirement for loans resubmitted to LPA after the note date.

### Freddie Mac Form 91 Functionality

Freddie Mac is currently reviewing the functionality of their [Form 91](#), *Income Calculations* and has temporarily removed the automatic calculations from all subtotal fields within the form; no content changes were made. If this form is used, you must now complete the calculations manually. We will notify you in a future communication when Freddie Mac adds this enhanced functionality back to this form.

**Reminder:** For LPA loans, lenders 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 Matrices

- [Click here](#) to see the before and after matrix for a detailed overview of the lender disclosure requirement on contaminated sites, hazardous substances, or other adverse conditions update.
- [Click here](#) to see the before and after matrix for a detailed overview of all other LPA updates.

### Revised Materials

Click [Automated Underwriting](#), [Appraisal Guidelines](#), and [Agency Loan Programs](#) to review the revised product materials.

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## Former Guidelines

See the before and after matrices 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. Contact Correspondent Relations Coordinators at 800.382.2111, Option 1.
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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