

Product Release

Information for Correspondent Lenders of SunTrust Bank
November 15, 2019 • COR19-053



Alert

Update

Reminder

Clarification

Training
Information

Preview

Agency LPA Condominium and Other Guideline Revisions

SunTrust Bank (SunTrust) revises Agency Loan Product Advisor[®] (LPA[®]) guidelines to align with updates recently announced in Freddie Mac Bulletin 2019-20. With these updates, we revise and/or clarify guidelines related to the following:

- condominium project requirements
- employer assisted homeownership benefits that are unsecured or secured loans
- purchase transaction mortgages
- excluding monthly payments on certain student loans from the monthly debt payment-to-income (DTI) ratio
- requirements for calculating the monthly housing expense-to-income and DTI ratios
- powers of attorney
- automated collateral evaluation (ACE) eligibility
- disclosure of environmental hazards to the borrower

In support of our guideline improvement initiative, we also update:

- condominium project guidelines (for all underwriting methods) to include reference to Fannie Mae's Condo Project Manager[™] (CPM)
- LPA guidelines related to the disclosure of information to appraisers

Note: SunTrust's timeframe for aligning with Freddie Mac's revisions to their employed income analysis and calculation guidelines, also announced in Freddie Mac Bulletin 2019-20, will be communicated in a future communication bulletin.

Effective Dates

- Updates related to the following topics are effective immediately for new loan applications on or after November 15, 2019:
 - new condominium projects (*new construction related update only*)
 - monthly housing and DTI ratios
 - powers of attorney
 - student loans
- All other updates are effective immediately for existing and new loan applications on or after November 15, 2019.

Background Information

Freddie Mac Bulletin 2019-20 announced updates impacting LPA condominium and various other guideline requirements. In response to this publication, we reviewed impacted guidelines and identified the opportunity to implement revisions to align with Freddie Mac requirements.

In support of our guideline improvement initiative, we identified the opportunity to update condominium project guidelines to provide transparency regarding the eligibility of the use of Fannie Mae's CPM and to update guidance related to the disclosure of information to appraisers to align with Freddie Mac's language/presentation of guidance.

Bulletin Details

Condominium Guideline Revisions

- We align with Freddie Mac and revise LPA condominium guidelines. Highlights of the guideline revisions are outlined in the table below. See the attached before and after matrices for additional details.

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Bulletin Details, continued

Condominium Guideline Revisions, continued

Topic	Summary of Condominium Guideline Revisions
New Condominium Projects: <i>New Construction</i>	Specifying that a single building in a condominium project (regardless of whether the project is comprised of that single building or multiple buildings) may have only one legal phase and that marketing phases are not eligible
Project Waiver Requests (PWRs) via Freddie Mac Condo Project Advisor®: <i>Inclusion of Projects with Long-Term Developer-Owned Units</i>	Expanding eligibility to indicate that a project, where the developer retained more than 25% of the units (<i>which otherwise makes the project a New Condominium Project</i>), may still be considered as an Established Condominium Project if: <ul style="list-style-type: none">• The developer retained those units for rental purposes• The developer has owned those units for a minimum of 10 years, and• The condominium project otherwise meets the completion and project control requirements to be classified as an Established Condominium Project
Ineligible Projects: <i>Commercial Space</i>	<ul style="list-style-type: none">• Consolidating all commercial space requirements into the "Ineligible Condo Project Characteristics" table• Adding a table showing what must be included and what may be excluded from the commercial or non-residential space calculation <p>Note: All of the guidance referenced above was previously published guidance. No new guidance was added to this section; only the presentation of the guidance changed.</p>
Manufactured Homes	Eliminating redundant references to the ineligibility of manufactured homes
	<p>Note: Per Freddie Mac's guidelines, condominium projects that contain manufactured homes are ineligible, except when approved through the Fannie Mae Project Eligibility Service (PERS) process. However, SunTrust continues to maintain our existing overlay that states that projects containing manufactured housing are not eligible; at this time, this is inclusive of any condominium project approved through the PERS process.</p>
New and Established Condominiums: <i>Budget Requirements</i>	Clarifying that the condominium project's budget must be for the current fiscal year

- We align our guidelines with Fannie Mae [for non-AUS and Desktop Underwriter® (DU®) loans] and Freddie Mac (for Reciprocal Project Reviews) and include reference to Fannie Mae's Condo Project Manager™ (CPM)

Note: Lenders may use CPM to assist in their Full Review of a project. CPM is a Fannie Mae web-based tool designed to help lenders determine if a project meets Fannie Mae's eligibility requirements. This Fannie Mae tool was previously eligible for use; however, not specifically addressed in SunTrust's guidelines.

- We relocate PERS guidance for LPA loans to the "Reciprocal Project Reviews (Freddie Mac)" subtopic to more closely align with Freddie Mac's presentation of guidance; guidelines remain the same.

Employer Assisted Homeownership (EAH) Benefit

For LPA loans, we align with Freddie Mac by:

- removing the requirement that the EAH Benefit must permit the borrower to continue making payments on the loan in the event the borrower no longer works for the employer (applies to EAH Benefits that are both unsecured loans and secured loans)
- For EAH Benefits that are unsecured loans:
 - specifying that those funds may be used only for down payment and closing costs
 - removing several requirements specific to repayment terms

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Bulletin Details, continued

Employer Assisted Homeownership (EAH) Benefit, continued

- For EAH Benefits that are secured loans with regular monthly payments, clarifying that those payments must be included in the monthly housing expense-to-income ratio

Purchase Transaction Mortgages

For LPA loans, we align with Freddie Mac and specify the acceptable uses of the proceeds from a purchase transaction mortgage. We also include guidance related to the circumstances under which the borrower may receive cash back or a principal curtailment.

Student Loans

Currently, a borrower's monthly student loan payment may be excluded from the DTI ratio if:

- The student loan has 10 or less monthly payments remaining until the full balance is forgiven, canceled, discharged or paid by an employment-contingent repayment program, or
- The monthly payment of the student loan is deferred or in forbearance and the full balance will be forgiven, canceled, discharged or paid by an employment-contingent repayment program at the end of the deferment or forbearance period

Additionally, documentation was required in the mortgage file to indicate that the borrower **currently meets the requirements** for the student loan forgiveness, cancellation, discharge or employment-contingent repayment program.

With today's update, for LPA loans, we align with Freddie Mac and now require that for the monthly student loan payment to be excluded from the DTI ratio (as stated above), the mortgage file must contain documentation indicating that the borrower is **eligible or approved** for the student loan forgiveness, cancellation, discharge or employment-contingent repayment program. Evidence of eligibility or approval must come from the student loan program or the employer, as applicable.

Monthly Housing and DTI Ratios

For LPA loans, we align with Freddie Mac and require that flood insurance premiums and special assessments with more than 10 monthly payments remaining be included in the monthly housing expense-to-income ratio for the subject property and in the monthly DTI ratio for any other property owned.

Powers of Attorney (POA)

For LPA loans, we align with Freddie Mac by:

- Specifying that every POA must be notarized
- Requiring that the original POA must be delivered with the note but need not be attached to the note, as previously required (*see below for guidance when a copy of the POA is acceptable*)
- Specifying that the Document Custodians may accept a copy of the POA:
 - if the original POA was recorded prior to the note date and shows the recording information, or
 - if the original POA was sent with the security instrument to be recorded (in this case, when it is returned from the recording office, either the original POA or a copy showing recording information must be promptly delivered to the Document Custodian)

ACE Eligibility

Previously, LPA guidelines stated that a lender may not accept the ACE appraisal waiver offer if the lender is aware of conditions that **it believes** warrant an appraisal being obtained. We align with Freddie Mac and revise LPA guidelines to state that a lender may not accept the appraisal waiver offer if the lender is aware of conditions **that** warrant an appraisal being obtained.

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Bulletin Details, continued

Environmental Hazard Disclosure to Borrower

For LPA loans, we align with Freddie Mac and revise guidelines to provide greater detail regarding information that must be disclosed to the borrower. For purchase transactions, lenders must disclose information regarding environmental hazards that directly impact the subject property and have not been mitigated or remediated, if the lender obtained such knowledge prior to the note date.

Disclosure of Information to Appraisers

In support of our guideline improvement initiative, we revise LPA guidelines related to the disclosure of information to appraisers to align with Freddie Mac's language/presentation of guidance. For these guideline improvement revisions, guideline intent remains the same.

Before and After Matrices

- [Click here](#) to see the before and after matrix that provides a detailed overview of the updates that are effective immediately for new loan applications only
- [Click here](#) to see the before and after matrix that provides a detailed overview of the updates that are effective immediately for both existing and new loan applications

Revised Materials

Click [Condominium and PUD Approval Requirements](#), [Appraisal Guidelines](#), [Agency Loan Programs](#), [Fannie Mae HomeReady®](#) and [Freddie Mac Home Possible® Mortgages](#), and [Certification of Project Compliance: Condominium Lender Warranties-Agency and Non-Agency Loan Products \(COR 0212A\)](#) to review the revised product materials.

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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