

Product Release



Information for Correspondent Lenders of SunTrust Bank
December 6, 2019 • COR19-056

Alert

Update

Reminder

Clarification

Training
Information

Preview

DU Version 10.3 and Other Agency Revisions

SunTrust Bank (SunTrust) announces the release of updates to Fannie Mae's Desktop Underwriter® (DU®) Version 10.3, scheduled for the weekend of December 7, 2019. Additionally, we revise Agency product guidelines to more closely align with recently announced Fannie Mae homeownership education, rental income, employment offers or contracts, and monthly debt obligations updates.

In support of our guideline improvement initiative, we:

- refresh tax identification numbers guideline requirements (for all underwriting methods), and
- modify the Correspondent Agency Overlay Matrix to include Freddie Mac Loan Product Advisor® (LPA®) CHOICERenovationSM mortgages as an ineligible product offering.

Effective Dates

- The homeownership education and rental income updates (including related messaging updates) are effective for new loan casefiles submitted to DU on or after the weekend of December 7, 2019. For non-AUS loans, these revisions are effective for new loan applications on or after December 7, 2019.
- All other guideline updates are effective immediately for existing and new loan applications on or after December 6, 2019. **Note:** DU messaging updates related to these guideline updates, are effective for DU 10.3 loan casefiles submitted or resubmitted to DU on or after the weekend of December 7, 2019.
- Additional DU messaging updates, which relate either to previously published guidance or messaging enhancements, are effective for DU 10.3 loan casefiles submitted or resubmitted to DU on or after the weekend of December 7, 2019.

Background Information

Fannie Mae's DU Version 10.3 December Update Release Notes and SEL 2019-08 announced the release of updates to their DU Version 10.3 and other updates impacting Agency guidelines. In response to these publications, we reviewed impacted guidelines and identified opportunities to more closely align with Fannie Mae requirements.

In support of our guideline improvement initiative, we identified opportunities to refresh our guidelines and more closely align with the Agencies' requirements.

Bulletin Details

Homeownership Education Requirements

For non-AUS and DU loans, we align with Fannie Mae and require at least one borrower to complete homebuyer education for the following transactions:

- Standard Agency and HomeReady® transactions, if all borrowers on the loan are relying solely on nontraditional credit to qualify, regardless of the loan product or whether the borrowers are first-time homebuyers (no change to previous requirement);
- HomeReady purchase transactions, when all occupying borrowers are first-time homebuyers; or
- Standard Agency purchase transactions with LTV, TLTV, or HTLTV ratios greater than 95%, when all borrowers are first-time homebuyers.

Note: With this DU release, DU will support these updates and issue the appropriate homebuyer education messages.

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Bulletin Details, continued

Rental Income

For non-AUS and DU loans, we align with Fannie Mae and implement new requirements for determining when rental income can be used for qualifying purposes.

To determine the amount of rental income from the subject property that can be used for qualifying purposes when the borrower is purchasing a two- to four-unit primary residence or one- to four-unit investment property, the following must be considered:

If the borrower...	Then for qualifying purposes...
<ul style="list-style-type: none">currently owns a primary residence (or has a current housing expense), andhas at least a one-year history of receiving rental income or documented property management experience	<ul style="list-style-type: none">there is no restriction on the amount of rental income that can be used.
<ul style="list-style-type: none">currently owns a primary residence (or has a current housing expense), andhas less than one-year history of receiving rental income or documented property management experience	<ul style="list-style-type: none">for a primary residence, rental income in an amount not exceeding PITIA of the subject property can be added to the borrower's gross income, orfor an investment property, rental income can only be used to offset the PITIA of the subject property.
<ul style="list-style-type: none">does not own a primary residence, anddoes not have a current housing expense	<ul style="list-style-type: none">rental income from the subject property cannot be used.

Note: With this DU release, Fannie Mae revises the message issued for subject property rental income to state that rental income may not be used for qualifying if the borrower does not own a primary residence or have a primary housing expense.

Employment Offers or Contracts

For non-AUS and DU loans, we revise requirements for Option #2 – Paystub Not Obtained Before Loan Delivery (this option was previously named Loan Delivered Prior to Borrower Starting Employment) and specify that the borrower's start date must be no earlier than 30 days prior to the note date or no later than 90 days after the note date. Prior to delivery, the lender must obtain the following documentation depending on the borrower's start date:

If the borrower's start date is...	Documentation Required
The note date or no more than 30 days prior to the note date	<ul style="list-style-type: none">Employment offer or contract; andVerbal verification of employment that confirms active employment status
No more than 90 days after the note date	Employment offer or contract

Note: With this DU release, Fannie Mae modifies the message issued when it appears that the borrower's employment has not yet begun, to reflect this update.

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Bulletin Details, continued

Monthly Debt Obligations

Fannie Mae currently states that an alimony obligation can be a reduction to income in lieu of including it as a monthly debt in the debt-to-income (DTI) ratio. With this update, we add the following clarifications for casefiles underwritten through DU:

- Lenders must enter the obligation as a negative amount as its own line item (rather than reducing another income type by the amount of the obligation)
- If the borrower also receives alimony income, this amount should be combined with the amount of the alimony payment and entered as a net amount

For non-AUS and DU loans, we revise alimony, child support or maintenance payments guidelines to state that a copy of the divorce decree, separation agreement, court order, or equivalent documentation confirming the amount of the obligation must be retained in the loan file.

Note: With this DU release, Fannie Mae modifies the message when alimony, child support, or maintenance is entered as a liability instructing the lender to confirm the payments and number of months remaining using the required documentation.

Additional DU Messaging Updates

In addition to the messaging updates previously announced in this bulletin, this DU release includes additional messaging updates, including the following:

- Revise DU messages that display the account number associated to debts provided on the credit report to only display a subset of the last digits associated with the actual account number
- Modify the Social Security Number (SSN) message to no longer require the lender to directly verify the borrowers SSN with the Social Security Administration
- Update the 4506-T message to remove the requirement for a signed 4506-T for any borrower whose income is not being used to qualify for the loan
- Retire outdated credit report comparison messages
- Additional messaging updates to provide clarity and consistency with currently published guidelines

Other Guideline Improvements

In support of our guideline improvement initiative, we:

- Refresh tax identification numbers guideline requirements (for all underwriting methods), and
- Modify the Correspondent Agency Overlay Matrix document to include Freddie Mac LPA CHOICERenovation mortgages as an ineligible product offering.

Before and After Matrices

- [Click here](#) to see the before and after matrix that provides a detailed overview of the guideline updates related to the following:
 - homeownership education
 - rental income
- [Click here](#) to see the before and after matrix that provides a detailed overview of all other guideline 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.

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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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