

Product Support Bulletin

Information for Correspondent Lenders of SunTrust Mortgage, Inc.
November 13, 2015 • COR15-050



Alert

Update

Reminder

Clarification

Training
Information

Preview

Agency Revisions and Additional Overlay Relief

SunTrust Mortgage, Inc. revises certain Agency product guidelines to align with recently announced Freddie Mac updates. Additionally, we continue to provide Agency overlay relief and guideline improvements. With this publication, we remove three more Agency overlays!

Intended Audience

Origination Processing	Secondary Marketing	Underwriting	Closing Delivery Funding	Compliance Legal	Other
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Effective Dates

Friday, November 13, 2015

All updates are effective immediately for both existing and new loan applications on or after this date.

Background Information

In bulletin 2015-16, Freddie Mac announced updates impacting several Agency guidelines. In response to this publication, we reviewed impacted guidelines for all underwriting methods. We identified opportunities to implement revisions to align with Fannie Mae and Freddie Mac requirements, while managing risk to our business.

Additionally, we continue to provide Agency overlay relief and guideline simplification to be competitive and to offer market contemporary terms.

Bulletin Details

Impacted Loan Programs

Updates outlined in this bulletin impact the following Agency loan programs:

- Standard Agency
- Agency Plus
- DU Refi Plus™
- Texas Cash-Out Refinances [50(a)(6)] First Mortgages

Note: Review the before-and-after matrix subsequently presented in this bulletin for a detailed overview of the impacted loan programs per update and underwriting method.

Action Required

Origination, Processing, Secondary Marketing, Underwriting, Closing, Delivery, Funding, Compliance, and Legal Starting November 13, 2015

Apply the guidelines outlined in this bulletin and related Before-and-After Matrix.

Product Support Bulletin

Information for Correspondent Lenders of SunTrust Mortgage, Inc.
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Bulletin Details, continued

Guideline Updates

A summary of the updates are as follows:

- For Loan Prospector[®] (LP[®]) transactions, aligned with Freddie Mac by:
 - Removing the 5% contribution requirement from borrower personal funds for:
 - Mortgages that have LTV ratios greater than 80% and are secured by primary residences and for which a gift or gift of equity from a related person is used as a source of funds
 - Mortgages with LTV ratios greater than 80% for which an unsecured loan that is an employer assisted homeownership (EAH) benefit is used as a source of funds
 - Removing the 120-day seasoning requirement for a “no cash-out” refinance mortgage when the mortgage being refinanced was a purchase money transaction
 - Revising the length of time a borrower must be on title for a cash-out refinance mortgage, as follows:
 - If none of the borrowers have been on the title to the subject property for at least six months prior to the note date of the cash-out refinance mortgage, the following requirement(s) must be met:
 - At least one borrower on the refinance mortgage inherited or was legally awarded the subject property (for example, in the case of divorce, separation or dissolution of a domestic partnership), **OR**
 - The borrower must meet Freddie Mac’s “delayed financing” cash-out refinance requirements. For “delayed financing” cash-out refinance transactions, in a case where they require a Settlement/Closing Disclosure Statement, a trustee’s deed is now acceptable if a Settlement/Closing Disclosure Statement was not used for the purchase transaction
 - Revising the maximum amount of the cash-out refinance mortgage when none of the borrowers have been on the title to the subject property for at least six months as follows:
 - When determining the amount of the cash-out refinance mortgage, any gift funds used to purchase the subject property must be deducted from the sum of the original purchase price and related closing costs, financing costs and prepaids/escrows
 - Revising short sale requirements as follows:
 - For “Accept/Eligible” mortgages, LP has already considered the significance of the short sale information and deemed the borrower’s credit reputation acceptable. No further evaluation of the short sale is required.
 - Updating the requirements for using credit cards, cash advances and unsecured lines of credit to pay fees associated with the mortgage application process
 - Guidelines now permit the **option** of either (1) verifying that the borrower has sufficient funds to pay the charges or advances, **or** (2) including the payment for the amount charged or advanced in the monthly debt payment-to-income ratio. Both were previously required.
 - Eliminating the additional cash reserves and rental income requirements for mortgages for which the borrower’s current primary residence is (1) pending sale, but the sale will not close prior to the closing of the new mortgage; or (2) being converted to a second home; or (3) being converted to an investment property

Note: Standard reserves and rental income requirements will now apply for these transactions.

- Providing additional flexibility in the provision that permits excluding the monthly payment amount for the borrower’s current primary residence pending sale from the monthly debt payment-to-income ratio. The monthly payment amount can be excluded if the mortgage file contains:
 - An executed sales contract for the property pending sale. If the executed sales contract includes a financing contingency, the mortgage file must also contain evidence that the financing contingency has been cleared or a lender’s commitment to the buyer of the property pending sale; **OR**
 - An executed buyout agreement that is part of an employer relocation plan where the employer/relocation company takes responsibility for the outstanding mortgage(s)

Product Support Bulletin

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Bulletin Details, continued

Guideline Updates, continued

- Revising condominium project eligibility requirements as follows:
 - Updating the definition of a “condominium hotel” and providing additional guidance on what constitutes a condominium hotel to help better determine what is an ineligible project
 - Updating to accept projects with shared amenities under certain circumstances
 - Adding a reserve study as an acceptable alternative if a project budget does not include at least a 10% replacement reserves
 - Changing project-level owner-occupancy requirements for established condominium projects
 - Updating requirements for projects with commercial or non-residential space to provide specifics on how to determine the total amount of, and what must be considered as, commercial or non-residential space
- Revising unsecured loans guidelines
- Removing obsolete references to Home Value Models from our LP guidelines and replacing with Home Value Explorer[®] (HVE[®])
- Increased the maximum TLTV/HTLTV ratio for primary residence, attached condominium units in established projects **in Florida** under the Freddie Mac Streamlined Review Process from 75% to 90%. The LTV ratio for these transactions are not changing (i.e., remains at 75%) for these Florida streamlined review transactions at this time.
- Removed the requirement for a PUD warranty form for attached PUDs for non-AUS, Desktop Underwriter[®] (DU[®]), and LP transactions. With this update, a PUD warranty form is now not required for attached or detached PUDs.

Important Note: The Correspondent Lender is responsible for determining that the PUD is in compliance with all PUD eligibility requirements.

- Removed the group home ineligibility overlay for DU and LP transactions
- Revised continuity of obligation guidelines to align with Fannie Mae and Freddie Mac requirements for non-AUS, DU, and LP transactions
- Revised employer assistance guidelines to align with Fannie Mae and Freddie Mac requirements for non-AUS, DU, and LP transactions

Other Guideline Improvements

All other updates made were in support of our guideline improvements initiative (i.e., adopting Agency specific language, eliminating redundancies, and underlining overlays in the updated topics). As an example, we revised the following topics to adopt Agency (Fannie Mae and Freddie Mac) specific language. Guideline intent remained the same.

- Gifts
- Gifts of Equity
- Installment Debt
- Sale of Personal Assets

Before and After Matrix

[Click here](#) to see the before-and-after matrix that provides a detailed overview of the guideline updates effective immediately for existing and new loan applications on or after November 13, 2015.

Product Support Bulletin

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Bulletin Details, continued

Guideline Updates, continued

Impact of Updates to our Agency Overlays Matrix

We updated the Agency Overlays Matrix to reflect the overlays removed as a result of the updates outlined in this bulletin. We will continue to evaluate opportunities to remove overlays throughout the year.

Revised Materials

Click [Agency Loan Programs](#), [Agency Plus](#), [Condominium and PUD Approval Requirements](#), [Short Sale and Restructured Mortgage Loans](#), [Correspondent Agency Overlay Matrix](#) to review the revised product materials.

Former Guidelines

See the before-and-after matrix provided in the Bulletin Details section 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 4.

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