

Product Support Bulletin



Information for Correspondent Lenders of SunTrust Mortgage, Inc.
January 29, 2016 • COR16-003

Alert

Update

Reminder

Clarification

Training
Information

Preview

Agency Plus Enhancements, Agency 97%, and More Overlay Relief

Great News! SunTrust Mortgage, Inc. is pleased to announce the release of our Agency Plus guideline alignment updates, including LTV/TLTV/HTLTV enhancements (up to a maximum 95%) and the addition of a Freddie Mac Loan Prospector® (LP®) underwriting option. We also release the Fannie Mae Desktop Underwriter® (DU®) 97% LTV/TLTV/HTLTV option available for first-time homebuyers (purchases) and limited cash-out refinances of existing Fannie Mae owned (or securitized) loans. Additionally, we continue to provide Agency overlay relief (such as, but not limited to, allowing escrow waivers on investment property transactions) and guideline improvements. With this publication, we remove 87 more Agency overlays!

Intended Audience

Origination
Processing

Secondary
Marketing

Underwriting

Closing
Delivery
Funding

Compliance
Legal

Other

Effective Dates

Friday, January 29, 2016
Certain updates are effective for loans locked on or after this date, while others are effective for both existing and new loan applications on or after this date. See the applicable Before-and-After Matrix provided in the Bulletin Details section for additional information.

Background Information

As a part of the recent DU Version 9.3 release, Fannie Mae aligned Agency Plus LTV/TLTV/HTLTV ratios with standard Agency DU requirements up to a maximum 95%. In announcement SEL-2014-15, Fannie Mae released a DU 97% LTV/TLTV/HTLTV financing option for standard Agency transactions. Fannie Mae SEL-2015-01 and Freddie Mac 2015-16 also announced updates impacting Agency guidelines. Additionally, SunTrust Mortgage reviewed all Agency and Agency Plus guidelines and certain DU Refi Plus™ guidelines to determine where we can further align with investor requirements. Our review of the above referenced updates/announcements and our Agency, Agency Plus, and DU Refi Plus guideline reviews identified opportunities to implement revisions to more closely align with Fannie Mae and Freddie Mac requirements, while managing risk to our business.

Additionally, in support of our guideline improvement initiative, we continue to modify the presentation of our guidelines to more closely reflect the Agencies' language.

Bulletin Details

Agency Plus Guideline Alignment Updates

Highlights of the Agency Plus guideline updates are as follows:

- Expanded underwriting options to allow LP
- Aligned Agency Plus LTV/TLTV/HTLTV, amortization terms, cash reserves, and financed mortgage insurance (MI) eligibility requirements with Fannie Mae and Freddie Mac requirements

Action Required

Origination, Processing, Secondary Marketing, Underwriting, Closing, Delivery, Funding, Compliance, and Legal Starting January 29, 2016

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

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Bulletin Details, continued

Agency Plus Guideline Alignment Updates, continued

- Aligned DU debt-to-income (DTI) ratios with Fannie Mae requirements
- Incorporated a maximum 50% DTI ratio requirement for LP transactions; this is an overlay
- Incorporated a minimum 640 credit score requirement for DU and LP transactions; this is an overlay

Note: With these Agency Plus guideline alignment updates, few differences now remain between our Agency Plus and standard Agency product offerings. As a result, we streamlined our product guideline documents by retiring Section 2.07: Agency Plus Loan Program and incorporated Agency Plus product guidance into Section 2.01: Agency Loan Programs of the *Correspondent Seller Guide*. We also eliminated the Agency Plus Loan Program Eligibility Checklist (COR 0160) due to the few differences that now remain between SunTrust Mortgage guidelines and Fannie Mae/Freddie Mac requirements.

Standard Agency 97% Guideline Alignment

Highlights of the standard Agency 97% financing option are as follows:

- All loans must be underwritten with DU
- All loans must be fixed-rate (amortization terms up to 30 years) and secured by a one-unit primary residence
- For purchase transactions, at least one borrower must be a first-time homebuyer
- For limited cash-out refinance transactions, Fannie Mae must own (or securitize) the existing loan being refinanced

Other Agency Overlay Relief and Guideline Revisions

Highlights of other Agency overlay relief and guideline revisions are as follows:

- Aligned standard Agency LTV/TLTV/HTLTV (non-AUS, DU and LP) requirements with Fannie Mae and Freddie Mac requirements, with the following exceptions:
 - A maximum 95% LTV/TLTV/HTLTV restriction applies for loans secured by properties located in the states of Michigan and New Jersey; this is an overlay
 - A maximum 90% LTV/TLTV/HTLTV restriction remains for loans secured by properties located in the state of Nevada; this is an overlay
- Aligned standard Agency DU debt-to-income (DTI) ratios and cash reserves with Fannie Mae requirements
- Incorporated a maximum 50% DTI ratio requirement for standard Agency LP transactions; this is an overlay
- Aligned minimum credit score requirements for standard Agency non-AUS transactions with Fannie Mae requirements
- Incorporated a minimum 640 credit score requirement for standard Agency DU, Texas Cash-Out Refinances [50(a)(6)] first mortgages, and standard Agency LP transactions; this is an overlay
- Clarified flood insurance requirements by providing SunTrust Mortgage's definition of a residential structure

Note: The above referenced definition applies for all Agency and non-Agency conventional (i.e., Key Loan and Jumbo Solution Second) loan programs.

- Removed overlays relating to the following:
 - 4506-T Processing Requirement for Income other than Self-Employed and Investment Income
 - Age of Documentation: Credit History, Credit Reports, Assets, Income, Appraisal, and Flood Hazard Determination
 - Appraisal Update Photographs
 - Contracting Income Documentation
 - Escrow Waivers on Investment Properties (excluding DU Refi Plus transactions)
 - Existing Construction Postponed Improvements
 - Flood Insurance Requirement for Detached Residential Structures

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Bulletin Details, continued

Other Agency Overlay Relief and Guideline Revisions, continued

- Removed overlays relating to the following, continued:
 - Gaps in Employment
 - HOA or Project IRS Federal Tax Identification Number (TIN) Requirement
 - Income Analysis
 - Installment Land Contracts (definition of purchase and refinance timeframes)
 - Interested Party Contributions LTV Calculation
 - New Construction Postponed Improvements Escrow Hold Back
 - Property Inspection Waiver (PIW) eligibility for Non-ARMs Length Transactions
 - Power of Attorney on a LP Cash-Out Refinance
 - Purchase of a Short Sale
 - Refinance of Properties Listed for Sale LTV Restrictions
 - Refinance of a Restructured Loan
 - Temporary Buydowns (including ARM Alternative) with LP and if Borrower Funded
 - Title Insurance - Restrictive Agreements
 - VA Benefits Income Documentation
 - Wood Destroying Insect Documentation

Note: Review the before-and-after matrices subsequently presented in this bulletin for a detailed overview of the impacted loan programs and underwriting method for these overlay removals.

Other Guideline Improvements

All other updates made were in support of our guideline improvements initiative (i.e., adopting Agency specific language, eliminating redundancies, relocating guidance, and underlining overlays in the updated topics).

Examples include, but are not limited to the following:

- Refreshed the following topics to adopt Fannie Mae and Freddie Mac specific language and/or presentation of guidance:
 - 1031 Tax Exchange
 - Appraisal Age and Use Requirements
 - Appraisal Update and/or Completion Report
 - Borrowers on Strike
 - Borrowers with Pending Layoff
 - Electronic Signatures on Sales Contracts
 - General Payment History including Rental
 - Income (*specifically: General Income Analysis and Verification; Contracting Income; Employment Offers or Contracts; Foreign Income; Gaps in Employment; Part Time Income; Retirement, Government Annuity, and Pension Income; Salaried or Hourly Wage Income; Social Security Income; VA Benefits Income*)
 - Mortgage Payment History
 - Non-ARM's Length Transactions
 - Power of Attorney
 - Repair Credit
- Removed certain Agency guidance from the following General sections and relocated that guidance to Section 2.01: Agency Loan Programs of the *Correspondent Seller Guide*:
 - 1.12 Completion Escrow Guidelines
 - 1.13 Interested Party Contributions Limits
 - 1.28 Short Sale and Restructured Mortgage Loans
 - 1.37 Income Validation Guidelines
 - 1.37a Income Analysis
 - 1.38 Verbal Verification of Employment
 - 1.40 Non-Arm's Length/Conflict-of-Interest

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Bulletin Details, continued

Before and After Matrices

[Click here](#) to see the before-and-after matrix that provides a detailed overview of the guideline updates effective for loans locked on or after January 29, 2016.

[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 January 29, 2016.

Revised Materials

Click [Agency Loan Programs](#), [Texas Cash-Out Refinance \[50\(a\)\(6\)\] First Mortgages](#), [ARM Alternative](#), [DU Refi Plus Loan Program](#), [Jumbo Solution Second Mortgage](#), [Automated Underwriting](#), [Underwriting](#), [Condominium and PUD Approval Requirements](#), [Appraisal Guidelines](#), [Loan Delivery and Purchase Review](#), [Post Closing Documents](#), [Completion Escrow Guidelines](#), [Hazard and Flood Insurance](#), [Interested Party Contributions Limits](#), [Mortgage Insurance](#), [Title Insurance](#), [Fraud Prevention Guidelines](#), [Maximum Number of Financed Properties and Borrower Exposure](#), [Short Sale and Restructured Mortgage Loans](#), [Electronic Signature Requirements](#), [Income Validation Guidelines](#), [Income Analysis](#), [Verbal Verification of Employment](#), [Non-ARM's Length/Conflict of Interest](#), [Correspondent Agency Overlay Matrix](#) and [DU Refi Plus Overlay Matrix](#) to review the revised product materials.

Note: We retired Section 2.07: Agency Plus Loan Program and incorporated Agency Plus product guidance into Section 2.01: Agency Loan Programs of the *Correspondent Seller Guide*.

Former Guidelines

See the before-and-after matrices 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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