

# Product Support Bulletin



Information for Correspondent Lenders of SunTrust Mortgage, Inc.  
October 21, 2016 • COR16-031

Alert

**Update**

Reminder

Clarification

Training  
Information

Preview

## Agency Property and Flood Insurance and Other Revisions

SunTrust Mortgage, Inc. revises Agency product guidelines to align with recently announced Fannie Mae and Freddie Mac updates, provide overlay relief, and to improve the presentation of our guidelines. With these updates, we:

- remove overlays relating to:
  - HO-6 requirements for PUDs
  - the eligibility of perpetual homeowners insurance policies
- clarify guidance regarding the acceptance of combined insurance policies
- revise liability and fidelity/crime/employee dishonesty insurance requirements for condominiums
- refresh all remaining property and flood insurance requirements
- revise homeownership education and housing counseling requirements for standard Agency transactions

### Intended Audience

Origination  
Processing

Secondary  
Marketing

Underwriting

Closing  
Delivery  
Funding

Compliance  
Legal

Other

### Effective Dates

#### Friday, October 21, 2016

Certain updates are effective immediately for new loan applications only, 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

Fannie Mae and Freddie Mac announced updates impacting Agency guidelines in the following publications: Fannie Mae Announcements SEL-2016-03, SEL-2016-05, SEL-2016-06, and SEL-2016-07; Freddie Mac Bulletins 2016-3 and 2016-6. In response to these publications, we reviewed impacted guidelines and identified opportunities to implement revisions to align with Fannie Mae and Freddie Mac requirements.

Additionally, in support of our guideline improvement initiative, we reviewed our Agency property and flood insurance guidelines in their entirety and identified opportunities to refresh our guidelines to more closely reflect the Agencies' language and/or presentation of guidance and current SunTrust Mortgage requirements.

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## Bulletin Details

### Guideline Updates

A summary of the updates are as follows:

- For non-AUS and Desktop Underwriter<sup>®</sup> (DU<sup>®</sup>) loans, aligned with Fannie Mae by:
  - Revising liability insurance requirements for condominium projects as follows:
    - Providing flexibility for two- to four-unit projects reviewed under the Full Review process that meet a specific set of criteria; we no longer require these projects to maintain a project liability insurance policy
    - Removing the requirement that the liability insurance policy provide for at least ten days' written notice to each holder of a first mortgage on an individual unit in the project before the insurer can cancel or substantially modify it
  - Revising fidelity/crime insurance requirements for condominium projects as follows:
    - Removing the specific coverage amounts the HOA management agents should maintain
    - Removing the requirement that the fidelity/crime insurance policy include a provision that calls for at least ten days' written notice to the servicer of Fannie Mae-owned or –securitized mortgages before the policy can be canceled or substantially modified
  - Revising condominium project level property insurance policy requirements to reflect that a unit owner's lender or Fannie Mae is no longer required be named in the mortgagee clause on a project's master policy
  - Revising homeownership education and housing counselling requirements for standard Agency transactions as follows:
    - Accepting homeownership education from Community Seconds<sup>®</sup> or Down Payment Assistance Program (DPAP) providers, as long as the providers are HUD-approved counseling agencies and the first mortgage loan involves a Community Second or DPAP
    - Providing an additional option for borrowers to obtain customized one-on-one assistance from a HUD-approved nonprofit counseling agency, as evidenced by a *Certificate of Pre-purchase Housing Counseling* (Fannie Mae [Form 1017](#))

**Note:** DU will be updated in a future release to reflect these changes. Until that time, disregard any messages that conflict with the changes described above.

- For Loan Product Advisor<sup>SM</sup> (LPA<sup>SM</sup>) loans, aligned with Freddie Mac by:
  - Revising condominium project and PUD insurance requirements as follows:
    - Prohibiting the sale of mortgages secured by a condominium unit in a condominium project or a property in a PUD with a master or blanket insurance policy that combines insurance coverage for multiple unaffiliated condominium projects or PUDs; a master or blanket insurance policy covering multiple affiliated projects is acceptable

## Action Required

**Origination, Processing, Secondary Marketing, Underwriting, Closing, Delivery, Funding, Compliance, and Legal Starting October 21, 2016**

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

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## Bulletin Details, continued

### Guideline Updates, continued

- Removing liability insurance requirements for condominium projects reviewed under the Streamlined Project Review type, PUDs, and fee simple landowners/lessors of ground lease communities
- Providing additional guidance when a coinsurance clause, an agreed amount endorsement or the agreed value option is included in the policy
- Updating fidelity or employee dishonesty insurance requirements as follows:
  - Removing the requirement that lenders determine the existence or adequacy of fidelity or employee dishonesty insurance coverage for condominium projects that are reviewed under the Streamlined Project Review type
  - If the calculated amount of funds that triggers the requirement for fidelity or employee dishonesty insurance coverage is less than or equal to \$5,000 then fidelity or employee dishonesty insurance is not required
  - Allowing a professional management firm to be insured either a) under its own fidelity or employee dishonesty insurance coverage policy provided the management firm submits evidence of coverage to the condominium homeowners association or b) under the condominium homeowners association's insurance policy

### Additional Property and Flood Insurance Guideline Revisions

For non-AUS, DU, and LPA loans, a summary of the additional property and flood insurance revisions are as follows:

- Revising property insurance rating requirements for insurers
- Clarifying guidance regarding the acceptance of combined insurance policies
- Removing all overlays relating to:
  - Perpetual homeowners insurance policies; perpetual homeowners insurance policies are now acceptable
  - HO-6 requirements for PUDs
- Clarifying flood insurance coverage requirements for condominiums, including guidance related to the establishment of the "insurable value" and the calculation of any supplemental coverage requirements; Overlays are underlined

All other property and flood insurance revisions were in support of our guideline improvements initiative (i.e., relocating guidance, adopting Agency specific language, and eliminating redundancies in the updated topics). Guideline intent remained the same.

**Important Note:** For Agency transactions, we relocated property and flood insurance guidelines from Section 1.14: Hazard and Flood Insurance and Section 1.06: Condominium and PUD Approval Requirements to Section 2.01: Agency Loan Programs of the *Correspondent Seller Guide*. Property and flood insurance guidelines (and location of guidelines) remain unchanged for all non-Agency loan programs.

### Before and After Matrices

[Click here](#) to see the before-and-after matrix that provides a detailed overview of the guideline updates effective for new loan applications only on or after October 21, 2016.

[Click here](#) to see the before-and-after matrix that provides a detailed overview of the guideline updates effective for existing and new loan applications on or after October 21, 2016.

### Revised Materials

Click [Agency Loan Programs](#), [DU Refi Plus™ Loan Program](#), [Condominium and PUD Approval Requirements](#), [Loan Delivery and Purchase Review](#), [Hazard and Flood Insurance](#), [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 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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