

Product Support Bulletin

Information for Correspondent Lenders of SunTrust Mortgage, Inc.
March 3, 2017 • COR17-008



Alert

Update

Reminder

Clarification

Training
Information

Preview

Financed MI Now Eligible on Agency Loans

SunTrust Mortgage, Inc. updates product guidelines to allow the eligibility of borrower-purchased financed mortgage insurance (MI) on conventional Agency loans.

Intended Audience

Origination
Processing

Secondary
Marketing

Underwriting

Closing
Delivery
Funding

Compliance
Legal

Other

Effective Dates

Monday, March 6, 2017

Effective for loans locked on or after this date.

Background Information

Bulletin [COR16-009](#), published on March 18, 2016, announced that conventional borrower-purchased financed MI was not available in our LendingSpace platform. System enhancements to support this product option will be implemented on March 5, 2017. In response, we are updating our guideline documents to indicate that this product option is now available.

Bulletin Details

Financed Borrower-Purchase Mortgage Insurance

Financed MI transactions are now eligible under the standard Agency and Agency Plus loan programs.

- For non-AUS and Desktop Underwriter® (DU®) loans, the following guidance applies:
 - Financed mortgage insurance transactions are defined by all of the following characteristics:
 - All or a portion of the borrower-purchased mortgage insurance premium (split and single-premium plans) is included in the loan amount.
 - The loan amount including the financed mortgage insurance premium cannot exceed the applicable maximum Fannie Mae loan limit.
 - The loan purpose is purchase, construction, or limited cash-out refinance.

Action Required

Origination, Processing, Secondary Marketing, Underwriting, Closing, Delivery, and Funding Starting March 6, 2017

Follow the guidance outlined in this bulletin and related guideline documents.

Product Support Bulletin

Information for Correspondent Lenders of SunTrust Mortgage, Inc.
March 3, 2017 • COR17-008



Bulletin Details, continued

Financed Borrower Purchased Mortgage Insurance, continued

- The mortgage loan is secured by a one-unit property that is the borrower's primary residence or second home.
- The mortgage insurance coverage amount is determined based on the base LTV ratio – the LTV ratio calculated without the financed premium.
- The gross LTV ratio – the LTV ratio calculated with the financed premium – is used to determine the maximum LTV ratio permitted for the transaction. The LTV ratio may never exceed the LTV ratio allowed per the Maximum LTV ratios allowed for the product.
- If the loan is subject to any LLPAs, including LLPAs associated with minimum mortgage insurance coverage, the LLPAs are based on the gross LTV ratio.
- The following mortgage loans are not eligible for delivery to Fannie Mae if they include financed borrower-purchased mortgage insurance:
 - mortgage loans secured by two- to-four-unit properties,
 - mortgage loans secured by investment properties, and
 - cash-out refinance loans.

Note: Lender-paid mortgage insurance premiums cannot be financed into the loan amount and are therefore not considered financed mortgage insurance transactions.

- For Loan Product AdvisorSM (LPASM) loans with financed premiums, the following requirements apply:
 - For purposes of this section, the following definitions apply:
 - Base LTV ratio: The loan-to-value (LTV) ratio calculated using the mortgage amount without the financed mortgage insurance premium
 - Gross LTV ratio: The LTV ratio calculated using the mortgage amount which includes the financed mortgage insurance premium
 - Mortgages for which the mortgage insurance premium is included as part of the principal amount of the mortgage (that is, a financed premium) are eligible for purchase provided the mortgage complies with the requirements below:
 - The Base LTV ratio must not exceed the maximum LTV ratio permitted for the mortgage product or offering
 - The Gross LTV ratio must not exceed 95%
 - The mortgaged premises must be a 1- to 4-unit primary residence or a 1-unit second home
 - The mortgage is a fixed-rate, fully amortizing mortgage or an ARM
 - The amount of coverage meets the standard coverage level requirements (outlined above) using the Base LTV ratio
 - The mortgage insurance premium must be paid with a single-premium payment, (i.e., monthly premium payments are not eligible)
 - Financed Mortgage Insurance Premium Endorsement
 - The mortgage insurance policy must include an endorsement, generally referred to as the "financed mortgage insurance premium endorsement." This endorsement states that adjustments will be made to the claim calculation to meet the required exposure level for the Base LTV ratio.
 - Maximum Original Loan Amount
 - The maximum original loan amounts permitted per the transaction type apply to mortgages with financed mortgage insurance premiums. The original loan amount of the mortgage inclusive of the amount of any financed mortgage insurance premium may not exceed the maximum original loan limits permitted per the transaction type.

Product Support Bulletin

Information for Correspondent Lenders of SunTrust Mortgage, Inc.
March 3, 2017 • COR17-008



Bulletin Details, continued

Revised Materials

Click [Agency Loan Programs](#), [Loan Delivery and Purchase Review](#), and [Correspondent Agency Overlay Matrix](#) to review the revised product materials.

Former Guidelines

Previously, borrower-purchased financed MI was not eligible under standard Agency (non-AUS, DU, and LPA) and Agency Plus (DU) loan transactions.

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.

This information is for use by mortgage professionals only and should not be distributed to or used by consumers or other third parties. This is not for solicitation of sales. Information is accurate as of date of posting and is subject to change without current product details and lending procedure. SunTrust Mortgage, Inc. does not guarantee or assume liability for any third-party products or services. ©2017 SunTrust Banks, Inc. SunTrust, and SunTrust Mortgage are federally registered service marks of SunTrust Banks, Inc.