

Product Support Bulletin



Information for Correspondent Lenders of SunTrust Mortgage, Inc.
June 9, 2017 • COR17-020

Alert

Update

Reminder

Clarification

Training
Information

Preview

Agency Student Loan Solutions and Other Revisions

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

- revise student loan payment options
- simplify requirements for excluding non-mortgage debts paid by others from the debt-to-income ratio
- permit truncated asset account numbers
- eliminate the requirement for project eligibility reviews on certain Fannie Mae owned limited cash-out refinance transactions
- extend the expiration date for streamlined Project Eligibility Review Service (PERS) Final Project Approvals
- remove the overlay related to properties listed for sale

Alignment with Fannie Mae's new student loan cash-out refinance feature will be provided in a future communication bulletin.

Additionally, we announce the 2017 area median income (AMI) limits for Freddie Mac Home Possible[®] mortgages .

SunTrust Mortgage is not currently offering Freddie Mac's automated collateral evaluation. System enhancements are required to support this update, which will be announced in a future communication bulletin.

Intended Audience

Origination
Processing

Secondary
Marketing

Underwriting

Closing
Delivery
Funding

Compliance
Legal

Other

Effective Dates

Friday, June 9, 2017

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

Tuesday, June 13, 2017

Freddie Mac updates Loan Product Advisor[®] (LPA[®]) to reflect the 2017 area median income limits.

Background Information

In SEL-2017-04, Fannie Mae announced updates to student loan payment options, non-mortgage debt paid by others, asset documentation requirements, project review requirements for certain Fannie Mae owned limited cash-out refinances, and PERS expiration timelines. In response to this publication, we reviewed impacted guidelines and identified opportunities to implement revisions to align with Fannie Mae requirements.

Freddie Mac Bulletin 2017-8 announced the 2017 AMI limits for Home Possible mortgages and the new automated collateral evaluation offer.

Additionally, we continue to improve our guidelines by adopting Agency specific language and removing overlays.

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Bulletin Details

Guideline Updates

For non-AUS and Desktop Underwriter® (DU®) loans, aligned with Fannie Mae by:

- Revising the options available to calculate the monthly payment amount for student loans, as follows:
 - If a monthly payment is provided on the credit report, the lender may use that amount as the monthly payment for qualifying purposes

Note: SunTrust Mortgage clarifies that this also applies for student loans associated with an income-driven repayment (IDR) plan.

 - If the credit report does not provide a monthly payment for the student loan, or if the credit report shows \$0 as the monthly payment (which may be the case for deferred loans or loans in forbearance), the lender must calculate a qualifying monthly payment using one of the options below:
 - 1% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment), or
 - a fully amortizing payment using the documented loan repayment terms.
- Simplifying guidance for excluding non-mortgage debts from the debt-to-income ratio, as follows:
 - When a borrower is obligated on a non-mortgage debt, but is not the party who is actually repaying the debt, the lender may exclude the debt from the borrower's recurring monthly obligations. This applies whether or not the other party is obligated on the debt, but is not applicable if the other party is an interested party to the subject transaction (such as the seller or realtor).
 - Non-mortgage debts include installment, revolving, lease payments, alimony, child support, and separate maintenance
 - The lender must obtain the most recent 12 months' cancelled checks (or bank statements) from the other party documenting a 12 month satisfactory payment history. There must be no delinquent payments for that debt in order to exclude it from the borrower's debt-to-income ratio.
- Permitting truncated asset account numbers that display at least the last four digits of the borrower's asset account
- Waiving the condo/PUD project eligibility review requirements as follows:
 - The project eligibility review is waived for all Fannie Mae owned loans that are being refinanced as a limited cash-out refinance with the following conditions. Lenders must confirm:
 - the loan-to-value ratio is no higher than 80% (TLTV or HTLTV ratios may be higher);
 - the project has the required project-related property and flood insurance coverage; and
 - the project is not a condo hotel or motel, houseboat project, or a timeshare or segmented ownership project.

Action Required

Origination, Processing, Secondary Marketing, Underwriting, Closing, Delivery, Funding, Compliance, and Legal Starting June 9, 2017

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

Starting June 13, 2017

Begin using the 2017 AMI limits for Home Possible mortgages.

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Bulletin Details, continued

Guideline Updates, continued

Note: The DU message regarding project review requirements will be modified in a future release. Until that time, lenders may disregard the project review message for loans that comply with this update.

- Extending the expiration date for streamlined PERS Final Project Approvals for up to 24 months

Home Possible 2017 Area Median Income Limits

For Home Possible mortgages:

- Beginning June 13, 2017, Freddie Mac is updating LPA and the [Home Possible Income & Property Eligibility tool](#) to reflect the area median income limits for 2017.

Important Note: LPA loans with an “Ineligible” recommendation (including an “Ineligible” recommendation due to loan amount) remain ineligible for purchase or funding.

Automated Collateral Evaluation

SunTrust Mortgage is not currently offering Freddie Mac’s automated collateral evaluation, which provides lenders with the option to waive the appraisal requirements for certain LPA mortgages.

- Until we are able adopt this enhancement:
 - Continue to follow current appraisal requirements
 - Disregard LPA feedback messages, on the LPA Feedback Certificate, indicating that a mortgage is eligible for an appraisal waiver

Overlay Relief and Other Guideline Improvements

- For LPA loans, removing the cash-out and “no cash-out” refinance requirement that the subject property must not be currently listed for sale. Guidelines now reflect that properties listed for sale must be taken off the market on or before the disbursement date of the new mortgage loan.
- For LPA loans, correcting our guidelines to align the maximum LTV/TLTV/HTLTV ratio for second home condos in Florida to equal the maximum LTV/TLTV/HTLTV ratio for second home transactions at 85%.

Before and After Matrix

[Click here](#) to see the before-and-after matrix that provides a detailed overview of the guideline updates.
Subheading

Revised Materials

Click [Agency Loan Programs](#), [Condominium and PUD Approval Requirements](#), [Fannie Mae HomeReady®](#) and [Freddie Mac Home Possible® Mortgages](#), and [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.

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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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