

# Product Support Bulletin



Information for Correspondent Lenders of SunTrust Mortgage, Inc.  
December 15, 2017 • COR17-045

Alert

**Update**

Reminder

Clarification

Training  
Information

Preview

## Agency Student Loan, Contingent Liabilities, and Appraisal Related Revisions

SunTrust Mortgage, Inc. revises Agency Loan Product Advisor® (LPA®) guidelines to align with recently announced Freddie Mac updates. With these updates, we:

- revise requirements for qualifying borrowers with student loan debt
- permit installment, revolving, and lease payments paid by a party other than the borrower to be excluded from the monthly debt-to-income (DTI) ratio when certain requirements are met
- update requirements for excluding mortgage debt paid by a party other than the borrower from the monthly DTI ratio
- revise appraisal update and completion report requirements

### Intended Audience

Origination  
Processing

Secondary  
Marketing

Underwriting

Closing  
Delivery  
Funding

Compliance  
Legal

Other

### Effective Dates

**Friday, December 15, 2017**

The student loan debt updates are effective for new loan applications taken on or after this date.

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

### Background Information

Freddie Mac Bulletins 2017-20 and 2017-23 announced updates impacting Agency LPA student loan debt, contingent liabilities, appraisal update, and completion report guidelines. In response to these publications, we reviewed impacted guidelines and identified opportunities to implement revisions to align with Freddie Mac requirements.

### Bulletin Details

#### Student Loan Debt Revisions

For LPA loans, aligning with Freddie Mac by:

- Revising the requirements for determining the monthly student loan payment amount for qualification purposes, as follows:
  - For student loans in repayment, use the greater of:
    - The monthly payment amount reported on the credit report, or
    - 0.5% of the original loan balance or the outstanding loan balance, as reported on the credit report, whichever is greater
  - For student loans in deferment or forbearance, use the greater of:
    - The monthly payment amount reported on the credit report, or
    - 1% of the original loan balance or the outstanding balance, as reported on the credit report, whichever is greater
- Adding a new provision that provides the flexibility to exclude student loan debt from the monthly DTI ratio when it is likely that student loan payments will no longer be required in the near future, or are not required currently and will not be required in the future; See the revised guidelines for additional details.

#### Action Required

**Origination, Processing, Secondary Marketing, Underwriting, Closing, Delivery, Funding, Compliance, and Legal**

**Starting December 15, 2017**

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

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## Bulletin Details, continued

### Contingent Liabilities Revisions

For LPA loans, aligning with Freddie Mac by:

- Permitting installment (not including mortgages), revolving, and lease payments to be excluded from the monthly DTI ratio when:
  - A party other than the borrower has been making timely payments on the debt for the most recent 12 months (regardless of whether the party is obligated on the debt), and
  - The party making the payments is not an interested party to the subject real estate or mortgage transaction
- Updating requirements for excluding mortgage debt from the monthly DTI ratio when a party other than the borrower has been making timely payments for the most recent 12 months:
  - Freddie Mac no longer requires that the borrower be a cosigner or guarantor on the excluded debt
  - The party making the payments must be obligated on the note for the mortgage that is being excluded
  - The borrower may not be on title for the mortgaged property
  - The party making the payments cannot be an interested party to the subject real estate or mortgage transaction

### Appraisal Related Revisions

For LPA loans, aligning with Freddie Mac by:

- Incorporating the following revisions related to appraisal updates:
  - The results of the appraisal update must be reported on Form 442, *Appraisal Update and/or Completion Report*
  - The original appraiser should perform the appraisal update
  - If the original appraiser is not available, another appraiser may be used
  - An appraisal update performed by an unlicensed or trainee (or similar classification) appraiser is acceptable if a supervisory appraiser signs the appraisal update
- Adding that an unlicensed or trainee (or similar classification) appraiser may perform a completion report as long as a supervisory appraiser also signs the completion report
- Removing the following requirements:
  - Mortgages with appraisals that received collateral representation and warranty relief through Loan Collateral Advisor with settlement dates more than 120 days after the note date are not eligible for collateral representation and warranty relief
  - Mortgages with settlement dates more than 120 days after the note date are not eligible with an ACE appraisal waiver

### Before and After Matrices

[Click here](#) to see the before and after matrix that outlines the student loan debt revisions that are effective for new loan applications taken on or after December 15, 2017.

[Click here](#) to see the before and after matrix that outlines all other updates that are effective immediately for existing and new loan applications.

### Revised Materials

Click [Appraisal Guidelines](#) and [Agency Loan Programs](#) to review the revised product materials.

### Former Guidelines

See the before and after matrices provided in the Bulletin Details section of this bulletin 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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