

Product Support Bulletin

Information for Correspondent Lenders of SunTrust Mortgage, Inc.
March 16, 2018 • COR18-012



Alert

Update

Reminder

Clarification

Training
Information

Preview

DU[®] 10.2 Release and Other Agency Revisions

Fannie Mae releases Desktop Underwriter[®] (DU) Version 10.2 and retires DU version 10.0 this weekend, March 17, 2018. With this DU release, we fully align with the changes in the DU Version 10.2 release which include updates to the DU credit risk assessment and various messaging updates.

Effective immediately, we also revise Agency product guidelines to align with recently announced Fannie Mae and/or Freddie Mac updates. With these updates we:

- permit the monthly payment due under an IRS tax installment agreement to be included in the DTI ratio, instead of requiring the debt to be paid off in full prior to or at closing
- revise condominium guidance related to: detached condo project reviews, project litigation, and liability insurance
- revise appraisal requirements related to: second appraisals, Agency Plus field reviews, electronic transmission of appraisals, and appraisal update and/or completion reports
- clarify mortgage debt paid by others and inter vivos revocable trust guidance

Effective Dates

Friday, March 16, 2018

All DU 10.0 loans must have final submission to DU 10.0 by this date. All guideline updates are effective immediately for new and existing loan applications on or after this date.

Saturday, March 17, 2018

Fannie Mae retires DU Version 10.0. Fannie Mae implements DU Version 10.2 effective for new loan casefiles submitted to DU on or after the weekend of March 17, 2018.

Background Information

In Desktop Underwriter/Desktop Originator Release Notes DU Version 10.2, SEL-2017-09, and SEL-2018-01, Fannie Mae announced the upcoming release of DU Version 10.2 and other updates impacting Agency guidelines.

Additionally, Freddie Mac Bulletins 2018-2 and 2018-3 announced revisions to liability coverage requirements for condominiums. In response to these publications, we reviewed impacted guidelines and identified opportunities to implement revisions to align with Fannie Mae and Freddie Mac requirements.

Bulletin Details

DU Version 10.2 Release

A summary of the DU Version 10.2 release updates, which includes an adjustment to the DU credit risk assessment and various messaging updates, are as follows:

- Last year's DU Version 10.1 update enabled loans with debt-to-income (DTI) ratios above 45% (up to 50%) to rely on DU's comprehensive risk assessment, and removed specific rules that had previously set maximum loan-to-value ratio and minimum reserves requirements for those loans. After assessing the profile of loans delivered since the DU 10.1 changes went into effect, Fannie Mae is fine-tuning DU's risk assessment to limit risk layering.

Product Support Bulletin

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Bulletin Details, continued

DU Version 10.2 Release, continued

- DU messaging updates to align with guideline revisions announced in this bulletin, as follows:
 - New and updated messaging instructing lenders to determine eligibility to include the payment due under a federal income tax installment agreement in the debt-to-income (DTI) ratio instead of requiring payment in full
 - Removing the Agency Plus field review appraisal requirements messaging that applies when the LTV/TLTV/HTLTV ratio is greater than 75% and the value is \$1,000,000 or greater
- Other various messaging updates to provide clarity and consistency with currently published guidelines, for the following topics:
 - Property Inspection Waiver (PIW)
 - Condo project reviews

Retirement of DU Version 10.0

With the release of DU Version 10.2, Fannie Mae is retiring DU Version 10.0. Complete final submissions of all DU Version 10.0 loans (to DU version 10.0) on or before March 16, 2018 or obtain an updated underwriting recommendation by submitting a new loan casefile to DU Version 10.2 on or after the weekend of March 17, 2018.

Agency Guideline Revisions

For non-AUS and DU loans, aligning with Fannie Mae by:

- Allowing the monthly payment due under an Internal Revenue Service (IRS) income tax installment agreement to be included in the borrower's DTI ratio (in lieu of payment in full prior to or at closing), provided the following requirements are met:
 - There is no indication that a Notice of Federal Tax Lien has been filed against the borrower in the county in which the subject property is located.
 - The lender must obtain the following documentation:
 - an approved IRS installment agreement with the terms of repayment, including the monthly payment amount and total amount due; and
 - evidence the borrower is current on the payments associated with the tax installment plan. Acceptable evidence includes the most recent payment reminder from the IRS, reflecting the last payment amount and date and the next payment amount owed and due date. At least one payment must have been made prior to closing.
- Revising appraisal requirements by:
 - Removing the Agency Plus field review appraisal requirements when the LTV/TLTV/HTLTV ratio is greater than 75% and the value is \$1,000,000 or greater
 - Revising guidelines to reflect that lenders now have the option to submit the Appraisal Update and/or Completion Report, (Form 1004D) directly to the Uniform Collateral Data Portal (UCDP) for conventional mortgage loans delivered to Fannie Mae
 - Updating second appraisal requirements to specify that the lender must select the most reliable appraisal, rather than being required to use the second one
- Clarifying mortgages paid by others guidance as follows:
 - Lenders may exclude the full monthly housing expense from the DTI ratio, provided the borrower is not using rental income to qualify; that is, the full PITIA may be excluded and not just the principal and interest payment
 - The mortgaged property must still be included in the borrower's multiple financed property count and the unpaid principal balance must still be included in the calculation of reserves for multiple financed properties
- Clarifying the distinction between the individual borrower and inter vivos revocable trust as owner of an interest in the mortgaged property, and clarifying expectations for execution of notes and mortgages
- Adding more flexibility to minor litigation criteria for condos

Product Support Bulletin



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Bulletin Details, continued

Agency Guideline Revisions, continued

- Waiving the project review requirements for all detached condo units, and removing references to site condos so that all detached condos are treated the same
 - Use Special Feature Code (SFC) 588 and project type code V to identify detached condos
 - Retiring SFC 917, which was required for site condos

Note: DU messaging regarding detached condo units will be modified in a future release to reflect these changes. Until that time, lenders may disregard the current project review messages solely for detached condos.

For DU Refi Plus™ loans, aligning with Fannie Mae by removing the requirement for condo liability insurance

For Loan Product Advisor® (LPA®) loans, aligning with Freddie Mac by:

- Adding electronic transmission of appraisal reports guidance
- Removing the requirement that the condominium homeowners association maintain certain additional liability coverage, including the following: comprehensive automobile liability, bailee's liability, elevator collision liability, garage keeper's liability, host liquor liability, workers' compensation and employer's liability, and contractual liability

Before and After Matrix

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

Revised Materials

Click [Agency Loan Programs](#), [DU Refi Plus™ Loan Program](#), [Condominium and PUD Approval Requirements](#), [Appraisal Guidelines](#), [Electronic Signature Requirements](#), Project Compliance: Condominium Lender Warranties-Agency and Non-Agency Loan Products ([COR 0212a](#)), SunTrust Condo/PUD Approval Request ([COR 0215](#)), and Fannie Mae DU Refi Plus Condominium Questionnaire ([COR 0217](#)) 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.

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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