

Product Release

Information for Correspondent Lenders of SunTrust Bank
August 24, 2018 • COR18-045



Alert

Update

Reminder

Clarification

Training
Information

Preview

Agency Condominium, Multiple Financed Properties, and Other Revisions

SunTrust Bank (SunTrust) revises Agency product guidelines to align with recently announced Fannie Mae and Freddie Mac updates. With these updates we:

- update our condo guidelines to simplify and add more flexibility by:
 - waiving or increasing the single-entity ownership requirement for certain transactions (all underwriting methods)
 - increasing the allowable amount of commercial space (all underwriting methods)
 - permitting a “new” condo project to be reviewed as an “established” project if certain requirements are met [non-AUS and Desktop Underwriter® (DU®)]
 - allowing investment property transactions for non-AUS and DU Limited Reviews
 - waiving project review requirements for non-AUS and DU 2-4 unit condo projects (with the exception of some basic requirements)
 - adding Loan Product Advisor® (LPA®) Automated Collateral Evaluation (ACE) eligibility
 - revising additional requirements related to: ineligible project characteristics, pending litigation, detached, and new condo projects (varies per underwriting method)
 - removing existing overlay and streamlining the condo project review and eligibility requirements for Freddie Mac owned “no-cash-out” refinances
- increase the maximum number of financed properties borrowers may be obligated on from six to ten for LPA second home and investment property transactions
- provide additional **optional** HomeStyle Renovation forms, including special-purpose model documents and riders (non-AUS and DU)
- update and clarify appraisal requirements related to multiple appraisals (non-AUS and DU) and comparable sales (LPA)

Additionally, we increase the maximum TLTV/HTLTV ratio for LPA second home, attached condo units in established projects in Florida under the Streamlined Review process to 75%. We also continue to improve the presentation of our guidelines.

Effective Dates

All updates are effective immediately for new and existing loan applications on or after August 24, 2018.

Note: For existing LPA loans, to take advantage of the ACE and multiple financed properties enhancements, resubmit the loan to LPA for consideration.

Background Information

Fannie Mae SEL-2018-05 and Freddie Mac Bulletin 2018-10 announced updates impacting several Agency guidelines. 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 refresh our guidelines to more closely reflect the Agencies’ language and/or presentation of guidance.

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Bulletin Details

Fannie Mae Condo Guideline Revisions

Highlights of the Fannie Mae condo guideline revisions for non-AUS and DU loans are outlined in the table below. See the applicable attached before and after matrix for additional details.

Summary of Condo Project Standards Updates	
Investment Securities	Removing from the listing of ineligible condo project characteristics
Single-Entity Ownership	<ul style="list-style-type: none"> Waiving the single-entity ownership requirement when the purchase transaction will result in a reduction in the single-entity ownership concentration (maximum single entity ownership 49%, no delinquent dues, no pending or active special assessments) Exempting units held by non-profits, affordable housing programs (including units subject to non-eviction rent regulation codes), or institutions of higher education from the percentage of single entity ownership calculation Allowing single-entity ownership in projects with 21 or more units to increase from 10% to 20%
Commercial Space	<ul style="list-style-type: none"> Increasing the maximum allowable commercial space from 25% to 35% Exempting commercially owned or operated parking spaces from the project's commercial space calculations
Established Project	<ul style="list-style-type: none"> Allowing a new condo project to be reviewed as an "established" project if it meets all the requirements for an established project other than the 90% unit conveyance requirement. Allow 80% conveyance if the developer is holding back units as rental stock, if additional requirements are met. Under the Full Review Process, expanding the project review completion timeframe from within 180 days prior to the note to within one year prior to the note date
Investment Property Transactions and Limited Reviews	Allowing investment property, attached units in established condo projects to be eligible for a Limited Review: <ul style="list-style-type: none"> for LTV, TLTV, and HTLTV ratios up to 75% for projects outside of Florida for LTV ratios up to 70% and TLTV/HTLTV ratios up to 75% for projects in Florida
FHA Project Review	Allowing conventional loans secured by units in established condo projects approved by FHA's HUD Review and Approval Process (HRAP)
Two-to Four-Unit Condo Projects	Waiving project review requirements, with the exception of some basic requirements that apply
Legal Non-Conforming Zoning	Aligning project standards guidelines to standard appraisal guidelines that require the appraiser to comment on the market response to legal non-conforming zoning
Projects Operating as a Hotel or Motel ("Condotel" Requirements)	Clarifying criteria for identifying projects that operate as hotels or motels
Live-Work Condo Projects	Simplifying current guidelines with the requirement that live-work projects be primarily residential in nature and must be in compliance with local zoning or development regulations for live-work projects

We further align with Fannie Mae by reorganizing and refreshing some of the condo guideline content to more closely adopt Fannie Mae specific language/presentation; guideline intent remains the same. For example, detached condo guidance is now described in the "Waiver of Project Review" subtopic that outlines the requirements that apply to projects and transactions for which a project review is waived.

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Bulletin Details, continued

Freddie Mac Condo Guideline Revisions

Highlights of the Freddie Mac condo guideline revisions for LPA loans are outlined in the table below. See the applicable attached before and after matrix for additional details.

Summary of Condo Project Standards Updates	
ACE Eligibility	Including eligibility of condo units for ACE appraisal waivers
Single-Entity Ownership	Increasing the maximum single investor concentration requirement from 15% to 25% for certain projects with 21 or more units owned by a Housing Finance Agency (HFA) or similar entity based on state or local law or regulation
Commercial Space	Increasing the maximum allowable commercial space from 25% to 35%
Pending Litigation	Relaxing attorney letter requirements when the pending litigation amount is unknown
Detached Project	<ul style="list-style-type: none">Expanding the availability of the Detached Condo Projects review type to include condo unit mortgages secured by detached condo units in a project with a mix of attached, detached, and/or semi-detached unitsClarifying that lenders are not required to determine the existence or adequacy of fidelity/employee dishonesty insurance or project liability insurance for detached condo units reviewed under the Detached Condo Projects review typeAdding the newly defined term "Detached Condominium Unit"Updating the definitions for "Two- to Four-Unit Condominium Project" and "Detached Condominium Project"
New Project	<ul style="list-style-type: none">Providing flexibility by allowing lenders to review documentation that is functionally equivalent to an engineer's report for non-gut renovation transactionsAdding a working capital fund as an eligible source to meet project budget reserves
Streamlined Review	<ul style="list-style-type: none">Increasing the maximum TLTV/HTLTV ratio for second home, attached condo units in established projects in Florida under the Streamlined Review process from 70% to 75%. The LTV ratio for these Florida transactions is not changing (i.e., 70%) at this time.
Freddie Mac-Owned "No Cash-Out" Refinance Condo Unit Mortgage	<ul style="list-style-type: none">Removing existing overlay and streamlining the condo project review and eligibility requirements for Freddie Mac owned "no-cash-out" refinances

LPA Multiple Financed Properties Updates

We align with Freddie Mac by revising multiple financed properties guidelines as follows:

- Increasing the maximum number of financed properties borrowers may be obligated on from six to ten for second home and investment property transactions
- Requiring a minimum credit score of 720 when borrowers have seven to 10 financed properties

Other Agency Guideline Revisions

- We align with Fannie Mae by incorporating the following additional updates, clarifications, and/or guideline improvements:
 - For non-AUS and DU loans:
 - Adding multiple appraisal of the subject property requirements to the "Appraisal Age, Appraisal Update and/or Completion Report, and Appraisal Use Requirements" subsection (these requirements also apply when addressing appraisal deficiencies)
 - Refreshing ineligible properties guidelines, and the "Eligibility Requirements for Units in PUD Projects" subtopic to more closely adopt Fannie Mae specific language/presentation; guideline intent remains the same
 - Providing additional HomeStyle Renovation forms, including special-purpose model documents and riders; because these documents are model documents, usage is strictly optional

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Bulletin Details, continued

Other Agency Guideline Revisions, continued

- We align with Freddie Mac by updating LPA comparable sale requirements as follows:
 - For properties located in new subdivisions, planned unit developments (PUDs), or condo projects with no closed or contract sales, the appraiser may develop an appraisal report with all comparable sales from outside the new subdivision or project, provided the appraiser comments on the marketability of the new subdivision or project
 - Clarifying that the appraiser may use comparable sales that are older than 12 months as long as the appraiser can justify and support their use in the appraisal report
- Additionally, in an effort to provide continued transparency/accuracy related to Agency overlays, co-op ineligibility is no longer being “considered” as an overlay. It is important to note that co-ops remain an ineligible property type for Agency transactions (and continue to be denoted as such in guideline documents); however, because these property types are not a standard Fannie Mae or Freddie Mac property offering (i.e., both GSEs require lenders to obtain special approval via a variance/waiver to sell/service co-op share loans), it is not considered as an “overlay” if SunTrust does not offer. As such, we removed co-op ineligibility from the Agency Overlays Matrix and removed underlining denoting co-op ineligibility as an overlay from the Agency product and condo guideline documents.

Before and After Matrices

- [Click here](#) to see the before and after matrix that provides a detailed overview of all Agency non-AUS and DU updates.
- [Click here](#) to see the before and after matrix that provides a detailed overview of all Agency LPA updates.

Revised Materials

Click [Appraisal Guidelines](#), [Condominium and PUD Approval Requirements](#), [Agency Loan Programs](#), [DU Refi Plus™ Loan Program](#), [Fannie Mae HomeReady®](#) and [Freddie Mac Home Possible® Mortgages](#), Project Compliance: Condominium Lender Warranties-Agency and Non-Agency Loan Products ([COR 0212a](#)), Condominium/PUD Approval Request (For Agency and Non-Agency Transactions) ([COR 0215](#)), [Correspondent Agency Overlay Matrix](#), and [DU Refi Plus Overlay Matrix](#) 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.

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 3.

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