

Product Release

Information for Correspondent Lenders of SunTrust Bank
January 11, 2019 • COR19-001



Alert

Update

Reminder

Clarification

Training
Information

Preview

Agency Mortgages Secured By Properties Subject to Resale Restrictions

SunTrust Bank (SunTrust) revises guidelines for Agency mortgages secured by properties subject to resale restrictions. With these updates we:

- announce overlay relief for:
 - non-AUS and Desktop Underwriter® (DU®) mortgages secured by properties with resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure
 - Loan Product Advisor® (LPA®) mortgages secured by properties with income-based resale restrictions
- align with Freddie Mac by:
 - revising LPA requirements for mortgages secured by properties with resale restrictions that terminate upon foreclosure or recordation of a deed-in-lieu of foreclosure
 - further clarifying LPA guidelines for mortgages secured by properties with resale restrictions

Effective Dates

All updates are effective immediately for new and existing loan applications on or after January 11, 2019.

Background Information

Freddie Mac Bulletin 2018-16 announced revisions and clarifications to LPA requirements for mortgages secured by properties subject to resale restrictions. In response to this publication, we reviewed impacted guidelines and implemented revisions to align with Freddie Mac requirements. Additionally, we identified the opportunity to provide overlay relief for non-AUS and DU mortgages secured by properties subject to resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure.

Bulletin Details

Agency Non-AUS and DU Mortgages Secured by Properties Subject to Resale Restrictions that Survive Foreclosure or Recordation of a Deed-in-Lieu of Foreclosure

We provide overlay relief and now permit non-AUS and DU mortgages secured by properties with resale restrictions (age-related and income-based) that survive foreclosure or recordation of a deed-in-lieu of foreclosure. Use Special Feature Code (SFC) 631 to identify these non-AUS and DU transactions. See the attached before and after matrix for additional eligibility details.

Agency LPA Mortgages Secured by Properties Subject to Resale Restrictions

- We provide overlay relief and now permit LPA mortgages secured by properties with income-based resale restrictions:
 - Use SFC 630 to identify a LPA mortgage secured by a property with **income-based** resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure
 - Use SFC 631 to identify a LPA mortgage secured by a property with **income-based** resale restrictions that survive foreclosure (or the expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure
- We revise LPA requirements for mortgages secured by properties subject to resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure to reflect the following:
 - The appraisal must reflect the market value of the property without resale restrictions

Bulletin Details, continued

Agency LPA Mortgages Secured by Properties Subject to Resale Restrictions, continued

- The lender, or any third party authorized by the lender, must ensure that the borrower and appraiser are aware of the resale restrictions and must advise the appraiser that he or she must include the following statement in the appraisal report:
 - “This appraisal is made on the basis of a hypothetical condition that the property rights being appraised are without resale and other restrictions that are terminated automatically upon the latter of foreclosure or the expiration of any applicable redemption period, or upon recordation of a deed-in-lieu of foreclosure.”
- For both purchase and refinance transactions, the LTV/TLTV/HTLTV ratios are determined using the appraised value of the property without resale restrictions (*Specific LPA submission and SunTrust system requirements apply for purchase transactions. See the attached before and after matrix for details*)
- The appraisal report no longer must include two comparable sales with similar resale restrictions. The appraisal report must note the existence of the resale restriction and analyze and reflect on any impact of the resale restrictions on the property’s value and marketability.
- We further clarify LPA requirements for mortgages secured by properties subject to resale as follows:
 - There are no restrictions on the length of the period in which the resale restrictions may remain in place on the property
 - When resale restrictions survive foreclosure or recordation of a deed-in-lieu of foreclosure:
 - The lender represents and warrants that the resale restrictions do not impair the lender/servicer's ability to foreclose on the restricted property
 - The subsidy provider is not entitled to obtain any proceeds from the initial sale or transfer of the property after foreclosure or a deed-in-lieu of foreclosure, from the foreclosing mortgage holder who obtained the property at foreclosure or pursuant to a deed-in-lieu of foreclosure
 - Standard LTV/TLTV/HTLTV calculation requirements apply
 - If the resale restrictions terminate at foreclosure or upon recordation of a deed-in-lieu of foreclosure, the subsidy provider is not entitled to obtain any proceeds from future sale(s) or transfer(s) of the property after foreclosure or recordation of a deed-in-lieu of foreclosure
- See the attached before and after matrix for additional eligibility details

Before and After Matrix

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

Revised Materials

Click [Agency Loan Programs](#) 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 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 3.

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