

Section 1.35 – Compliance Overview

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Overview

General

- The information and topics contained within this sellers guide is not be deemed to constitute the provision of legal advice by SunTrust.
 - ***Correspondent lenders are advised to consult with their legal counsel or compliance managers for additional information, interpretation and/or requirements related following topics.***
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Overview

- SunTrust remains committed to full compliance with all applicable laws – at both the federal and state level.
 - SunTrust views compliance with all applicable laws as an integral part of our business arrangement. In particular, the Correspondent Loan Purchase Agreement makes it clear that as our business partner, you will “comply with all applicable federal and state laws, rules and regulations.” Such requirements include, but are not limited to many practices that are proscribed or required by the Fair Housing Act, the Equal Credit Opportunity Act, and the Real Estate Settlement Procedures Act.
 - We encourage you to take this opportunity to review your compliance with all applicable laws, with a special focus on some of the newer regulations.
 - Ultimately, it is the Correspondent Lender’s responsibility to ensure full compliance with all applicable laws, as required by our Agreement.
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Related Bulletins

General

Related bulletins are provided below in PDF format. To view the list of published bulletins, select the applicable year below.

- [2018](#)
 - [2017](#)
 - [2016](#)
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Nationwide Mortgage Licensing System Registry (S.A.F.E. Act)

Nationwide Mortgage Licensing System (NMLS)

- As part of the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (the S.A.F.E. Act), SunTrust requires Correspondent Lenders to represent and warrant the following:
 - SunTrust requires its Correspondent Lenders to comply with the applicable laws, rules, and regulations enacted pursuant to the S.A.F.E. Act to which the Correspondent Lender is subject.
 - SunTrust requires the Company and Mortgage Loan Originator unique identifier numbers issued by the NMLS on all loans submitted to SunTrust for purchase.
 - The Mortgage Loan Originators employed by the Correspondent Lender are either federally registered pursuant to the requirements of the federal S.A.F.E. Act or are state-licensed in each state jurisdiction in which the Mortgage Loan Originator is taking mortgage loan applications.
 - The Correspondent Lender certifies to the following”
 1. Your Company has written policies and procedures to ensure compliance with all applicable federal and state laws, rules, and regulations implemented pursuant to the S.A.F.E. Act.
 2. Your company has a process in place that ensures that the Mortgage Loan Originators employed by your Company are properly state-licensed or federally registered prior to acting as a Mortgage Loan Originator as defined in the S.A.F.E. Act and applicable state laws.
 3. The Mortgage Loan Originator NMLS unique identifier number must be displayed on the credit application (1003), Note (or loan contract), and Security Instrument. These documents must be forwarded to SunTrust as required by applicable State or Federal law.
 4. Your Company has a policy to terminate its NMLS Sponsorship of a Loan Originator that leaves your Company.
 5. Your Company has a process or a procedure that informs Mortgage Loan Originators employed by your Company of the Federal registration and state licensing requirement and instructs them on how to comply with the applicable requirements.

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Nationwide Mortgage Licensing System Registry (S.A.F.E. Act), Continued

Nationwide Mortgage Licensing System (NMLS), (continued)

- The Underwriting and Closed loan packages do not require the NMLS printout.
 - Loans that do not contain the required information, or contain inaccurate information, are not eligible for sale to SunTrust .
 - Mortgagee Letter (ML) 2011-04 requires lenders to provide, the NMLS unique Loan Originator Identifier number and Loan Origination Company Identifier number for all FHA loan transactions.
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NMLS Identifying Numbers

- SunTrust requires the NMLS Loan Originator Identifier number and Loan Origination Company Identifier number for all loans purchased from all lenders, if applicable.
 - The NMLS Identifier numbers cannot:
 - Be a Branch ID
 - Include letters or special characters
 - Consist of Social Security Numbers, phone numbers, state license numbers, or the Lender's Sponsor code
 - Be shorter than four or longer than twelve digits
 - Include leading zeros at the beginning of a number that do not factor into the total number of digits
 - Be the same for both the individual ID and the Company ID.
 - The Loan Originator Company ID is always different from the Loan Originator Individual ID.
 - Be manually corrected on the credit application (1003), Note (or loan contract), and Security Instrument (no scratch out of incorrect information or hand written correction of the information).
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FHA Capture of NMLS ID Information

- FHA-approved mortgagees and their employees must comply with the NMLS registration requirements of the states and entities with jurisdiction over their activities, and they must register in accordance with the guidelines set forth by the NMLS.
 - The following information must be entered in FHA Connection:
 - The loan officer's first and last name, and
 - The loan officer's NMLS Identifier number, if registered in NMLS.
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Fair Lending

SunTrust's Commitment to Fair Lending

SunTrust's policy is to offer and extend all of its products and services, including credit products, to any qualified applicant without regard to race, sex, religion, color, national origin, age, (provided that the applicant has the capacity to contract), marital status, family status, disability, veteran status, sexual orientation, gender identity, applicant's receipt of income from a public assistance program, applicant's exercise in good faith of rights under the Consumer Credit Protection Act, or any classification protected by applicable law. These laws include but are not limited to the Equal Credit Opportunity Act and the Fair Housing Act, Servicemembers Civil Relief Act, applicable federal and state anti-predatory lending laws and other laws, including the Federal Trade Commission Act, that prohibit unfair or deceptive practices in the extension of credit, as well as their implementing regulations.

- Credit and other decisions relating to a customer or applicant must be made based upon the merits of the application and in a completely non-discriminatory manner.

- All of us at SunTrust work to ensure that every applicant and community is treated fairly and equitably. Our Code of Conduct requires that we treat all customers fairly and consistently, and SunTrust and its affiliates are committed to the following:
 - SunTrust Teammate Training,
 - Monitoring the Lending Process, and
 - Corporate Oversight of Fair Lending.

- Correspondent partners are urged to consult with their Legal and Compliance departments for all of the revisions, information, interpretation and/or additional requirements related to Fair Lending Policies.

Training

On a regular basis, our employees receive training on the fair lending laws and regulations and our fair lending policies.

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Fair Lending, continued

Monitoring the Lending Process

- We ensure that our customers are treated fairly by conducting ongoing monitoring, which includes:
 - Assessing our credit policies for fairness;
 - Monitoring to ensure that customers are treated consistently and fairly; and
 - Carefully reviewing our marketing and advertising practices for compliance with the letter and spirit of the fair lending laws.
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Corporate Oversight of Fair Lending

SunTrust has a comprehensive fair lending program, which starts with a commitment to fair lending by our executive management and Board of Directors and extends to our knowledgeable staff. We use the best available analytic tools to ensure that management is informed of our fair lending performance and can provide appropriate oversight of fair lending practices.

Forms and Disclosures

General

- Correspondent Lenders must comply with all applicable federal, state and local laws, rules and regulations with respect to the Mortgage Loan including, but not limited to:
 - the Real Estate Settlement Procedures Act of 1974,
 - the TILA RESPA Integrated Disclosure Rule
 - the Equal Credit Opportunity Act,
 - the Truth-In-Lending Act,
 - the Fair Credit Reporting Act,
 - the Home Mortgage Disclosure Act of 1975,
 - the Fair Housing Act,
 - the Homeowners Protection Act of 1998,
 - the National Flood Insurance Act of 1968, the Flood Disaster Protection Act of 1973,
 - the USA Patriot Act of 2003,
 - Title V of the Gramm-Leach-Bliley Act,
 - the Fair and Accurate Credit Transactions Act of 2003 (FACT Act),
 - the Service Members Civil Relief Act, and
 - the Dodd-Frank Wall Street Reform and Consumer Protection Act.
 - Correspondent lenders must comply with all Acts as amended, together with the rules and regulations promulgated thereunder, and all applicable usury limitations.
 - All consumer disclosures relating to the Mortgage Loan must have been properly given on a timely basis in compliance with all applicable laws, rules and regulations.
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Consumer Handbook on Adjustable Rate Mortgages

- The *Consumer Handbook on Adjustable Rate Mortgages* must be given to borrowers prior to the loan application of an adjustable rate mortgage.
 - The borrowers must sign an acknowledgement of receipt of the Handbook on the program disclosure.
-

Blanket Authorization

- A *Blanket Authorization* form ([COR 0019](#)) is required on all loans and must be signed by all borrowers.
 - It is used by the originating lender to verify information contained in the application.
 - It also allows SunTrust and/or its successors or assigns to re-verify information contained in the file for quality control purposes.
 - Correspondents may use their own version of the form as long as the language follows SunTrust's version and incorporates the verbiage ". . . its successors and/or assigns". The omission of this form will delay funding.
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Forms and Disclosures, Continued

Home Loan Tool Kit

- ST expects the Home Loan Tool Kit to be provided to borrowers for all purchase transactions for applications beginning on October 3rd, 2015.
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Correspondent Closing Checklist

- The *Correspondent Closing Checklist* ([COR 0013](#)) is required to be used as a guide for the order of documents in a closed loan file submitted for purchase review and funding.
 - Failure to use the form may delay the review and funding of the loan.
 - The form must include the contact name and phone number of the Lender's closer/shipper.
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Homeownership Counseling Disclosure

For federally-related mortgages, Correspondent lenders must provide the consumer with a written disclosure containing a list of at least 10 homeownership counseling agencies. Include a copy of the homeownership counseling disclosure in your loan file submitted for purchase by SunTrust .

Compliance Errors and Omissions

Compliance Errors and Omissions

- SunTrust is often unable to complete its pre-purchase file review on a timely basis due to missing information and/or inaccurate compliance documentation in loan files. Loan files with missing documentation adversely impact SunTrust's ability to give the Correspondent lender the deserved quick turn-around on purchase decisions. Performing a "quality-check" before the loan is submitted to SunTrust for purchase, will facilitate the purchase of the loan more efficiently and decrease current turn times.
 - As a reminder, SunTrust requires the following documents or documentation in each file submitted for purchase:
 - The initial loan application signed and dated by the interviewer and borrower.
 - Documentation of the date of rate lock or rate set between the Lender and the borrower.
 - Documentation of the index value and index date used for the final Closing Disclosure on Adjustable Rate Mortgage (ARM) loans.
 - Flood certification.
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TILA-RESPA Integrated Disclosure Rule (TRID) Overview

General

The TILA-RESPA rule consolidates four former disclosures required under TILA and RESPA for closed-end credit transactions secured by real property into two forms: a Loan Estimate that must be delivered or placed in the mail no later than the third business day after receiving the consumer's application, and a Closing Disclosure that must be provided to the consumer at least three business days prior to consummation.

The new Integrated Disclosures must be provided for most applications for closed-end credit transactions secured by real property on or after October 3rd, 2015. Creditors will still be required to use the GFE, HUD-1, and Truth-in-Lending forms for applications received prior to October 3rd, 2015. As the applications received prior to October 3rd, 2015 are consummated, withdrawn, or cancelled, the use of the GFE- HUD-1, and Truth-in-Lending forms will no longer be used for most mortgage loans.

Below is a high level overview of Integrated Mortgage Disclosures under the Real Estate Settlement Procedures Act (Regulation X) and the Truth In Lending Act (Regulation Z). This is not a substitute for the actual rule.

New Definition of Application

An application is considered received when the borrower provides the following six (6) data elements:

- Borrower's name,
- Borrower's income,
- Borrower's social security number,
- Address of the subject property,
- Estimated subject property value, and
- Requested loan amount.

In addition, the consumer must be providing information in anticipation of a credit decision and the loan officer must have the consent of the consumer to begin processing the application.

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TILA-RESPA Integrated Disclosure Rule (TRID) Overview, Continued

The Loan Estimate (LE)

- This new form integrates and replaces the existing RESPA GFE and the initial TILA disclosure for these transactions.
 - The LE must contain a good faith estimate of credit costs and transaction terms.
 - The LE must be in writing.
 - The creditor must deliver the LE or place it in the mail no later than the third business day after receiving the application.
 - Creditors generally may not issue revisions to the LE because they later discover technical errors, miscalculations, or underestimations of charges. Creditors can issue a revised LE only in certain situations such as when changed circumstances result in increased charges.
 - If a mortgage broker receives a consumer's application, either the creditor of the mortgage broker may provide the LE.
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The Closing Disclosure (CD)

For loans that require a LE and that proceed to closing, creditors must provide a new final disclosure reflecting the actual terms of the transaction called the Closing Disclosure (CD). The form integrates and replaces the existing HUD-1 and the final TILA disclosure for these transactions.

- The lender is generally required to ensure the consumer receives the CD no later than three (3) business days before consummation of the loan.
 - The CD generally must contain the actual terms and costs of the transactions.
 - Lenders may estimate disclosures using the best information reasonably available when the actual term or cost is not reasonably available to the creditor at the time the disclosure is made.
 - Lenders must act in good faith and use due diligence in obtaining the information.
 - A lender may normally rely on the representations of other parties in obtaining the information, including, for example, the settlement agent.
 - The creditor is required to provide corrected disclosures containing the actual terms of the transaction at or before consummation. If the actual terms or costs of the transaction change prior to consummation, the creditor must provide a corrected disclosure.
 - If the creditor provides a corrected disclosure, it may also be required to provide the consumer with an additional three (3) business day waiting period prior to consummation.
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TILA-RESPA Integrated Disclosure Rule (TRID) Overview, Continued

Expectations

- ST expects lenders to comply with all federally and state mandated regulations as applicable.
- ST expects lenders to utilize unmodified versions of the Loan Estimate and Closing Disclosure model forms and all disclosures made within.
- ST requires the initial Loan Estimate and all subsequent Loan Estimates and Closing Disclosures in chronological order. All disclosures must include dates of issue, full documentation of any changed circumstance that led to an increase in one or more fees or charges and the date of such changed circumstance.
- ST will not require signatures on the Closing Disclosure received by the borrower three (3) business days before consummation, but ST will require both a copy of the Closing Disclosure that was provided to the borrower and any non-borrowers who have the right to rescind, prior to closing.
- ST will not require seller signatures on the closing disclosure.
- ST will not require a separate itemization of Amount Financed, but will expect fees paid by the seller, lender, or other party to be itemized on the Closing Disclosure.
- If seller, lender, or other third party credits are used to offset prepaid finance charges, they must be itemized on the Closing Disclosure.
- If borrowers are permitted to shop for service providers, ST expects lenders to list applicable providers and contact information on the revised version of the Written List of Service Providers.
- As required by GSE's Uniform Closing Dataset (UCD) framework, ST expects a Loan Estimate/Closing Disclosure for all investment property transactions.

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TILA-RESPA Integrated Disclosure Rule (TRID) Overview, Continued

Signature Requirements

Agency

- The following requirements apply:
 - A copy of the Final Closing Disclosure:
 - Non-rescindable: signed and dated by borrower and co-borrower(s).
 - Rescindable: signed and dated by borrower, co-borrower(s), and any non-borrower(s) with the right to rescind.
 - If there are separate Closing Disclosures for the borrower and seller, the copies of the final version of each must be kept in the mortgage loan file

FHA, VA and Portfolio

- The following requirements apply:
 - A copy of the Final Closing Disclosure:
 - Non-rescindable: signed and dated by borrower and co-borrower(s).
 - Rescindable: signed and dated by borrower, co-borrower(s), and any non-borrower(s) with the right to rescind.

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TILA-RESPA Integrated Disclosure Rule (TRID) Overview, Continued

Intent to Proceed

- A consumer may indicate intent to proceed in any manner the consumer chooses, unless a particular manner of communication is required by the lender.
 - A lender may not impose fees on a consumer before they have received the loan estimate and indicated intent to proceed.
 - A lender may not provide written estimates of terms or costs before the borrower has received the Loan Estimate without a written statement informing the borrower the terms may change.
 - A lender may not require submission of documents verifying information related to the borrowers application prior to providing the loan estimate.
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Disclosure Resources

CFPB guide to TILA-RESPA Integrated Disclosure rule implementation
<http://www.consumerfinance.gov/regulatory-implementation/tila-respa/>

Integrated Mortgage Disclosures under the Real Estate Settlement Procedures Act (Regulation X) and the Truth In Lending Act (Regulation Z)
<http://www.consumerfinance.gov/regulations/integrated-mortgage-disclosures-under-the-real-estate-settlement-procedures-act-regulation-x-and-the-truth-in-lending-act-regulation-z/>

Section 32/35-HPML (Higher Priced Mortgage Loans)

General

- There are four types of high-cost loans under federal law and Agency guidelines.
- The Home Ownership and Equity Protection Act of 1994 (HOEPA). The law addresses certain deceptive and unfair practices in home equity lending. It amends the Truth in Lending Act (TILA) and establishes requirements for certain loans with high rates and/or high fees. The rules for these loans are contained in Section 32 of Regulation Z, which implements the TILA, so the loans also are called “Section 32 Mortgages.” HOEPA applies to purchase transactions, refinances and equity loans secured by an owner’s primary residence.
- The Federal Reserve Board amended Regulation Z in 2009 by adding a new category of loans secured by a primary residence called “Higher Priced mortgage Loans” (HPML). The regulation includes a new APR test under Section 35 of Regulation Z; APRs exceeding a certain index are referred to as Higher Priced Mortgage Loans (HPML).
- The Consumer Financial Protection Bureau (CFPB) amended Regulation Z in 2013 by adding a new category of loans called “Qualified Mortgages” (QM). The regulation includes a new points and fees test referred to as Qualified Mortgage Points and Fees Test.
- Fannie Mae and Freddie Mac require a points and fees test for primary residence, second home, and investment property loans.

Requirements- Section 32

- SunTrust will not knowingly purchase a Section 32 mortgage.
- A loan is subject to Section 32 if any of the following are true:
 - If a loan is identified post funding as a Section 32 high cost/high fee mortgage, the Correspondent lender will be required to repurchase the loan. SunTrust does not accept any cures of high-cost loans.
 - Section 32 transactions include purchase money loans, refinances, home equity lines of credit, and equity loans secured by the owner’s primary residence.
 - A loan is considered a Section 32 loan if it fails either the APR test OR points and fees test.
 - SunTrust will include all discount points in our initial high-cost loan test. If a loan fails the high-cost test, Correspondent lenders will be asked to provide documentation that discount points are bona fide. If documentation can be provided to show discount points are bona fide, they will be excluded from the high-cost loan test.
- If a loan is identified post funding as a high cost/high fee loan, the correspondent lender will be required to repurchase the loan.
- Correspondent lenders are responsible for knowing all federal and state specific regulations related to high cost/high fee loans.

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Section 32/35-HPML (Higher Priced Mortgage Loans), Continued

Agency Points and Fees Test

- SunTrust will not purchase or fund any loan delivered as an Agency high-cost/high fee loan.
- Primary Residence and Second Home Loans: Total points and fees may not exceed 3% of the total loan amount or such different amount in accordance with the qualified mortgage (QM) provisions of Regulation Z (12 CFR §1026.43(e)(3)).
- Investment Property Loans:
 - Purchase and Rate/Term Refinance Transactions: Total points and fees may not exceed 5% of the total loan amount.
 - Cash-Out Refinance Transactions: Total points and fees may not exceed 3% of the total loan amount or such different amount in accordance with the qualified mortgage (QM) provisions of Regulation Z (12 CFR §1026.43(e)(3)).
- SunTrust will include all discount points in our initial high-cost loan test.
 - If a loan fails the high-cost test, Correspondent lenders will be asked to provide documentation that discount points are bona fide.
 - If documentation can be provided to show discount points are bona fide, they will be excluded from the high-cost loan test.
 - Correspondent lenders should consult with their Legal/Compliance departments for information, interpretation, and/or additional requirements related to the ability to repay (ATR) provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).

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Section 32/35-HPML (Higher Priced Mortgage Loans), Continued

Requirements- Section 35

- SunTrust will now purchase FHA Safe Harbor and Rebuttable Presumption Qualified Mortgages as defined by Regulation Z.
- SunTrust will not purchase or fund any loans classified as a Section 35 Higher Priced Mortgage Loan (HPML), except FHA and VA HPML's.
- The Federal Reserve Board amended Regulation Z by adding a new category of loans secured by a primary residence called “Higher Priced Mortgage Loans” (HPML). The regulation includes a new APR test under Section 35 of Regulation Z; APRs exceeding a certain index are referred to as Higher Priced Mortgage Loans (HPML).
- A “higher priced mortgage loan” is defined as a loan secured by a *primary* residence (purchase, refinance, equity, all lien “positions”, where the APR exceeds the “average prime offer rate (APOR)” by:
 - At least 1.5% or more for first liens, and/or
 - At least 3.5% or more for subordinate liens
 - The APOR is most readily available from www.ffiec.gov/ratespread/newcalc.aspx.
- The Federal Reserve Board has released a clarification addressing prepayment penalties as they affect the new Section 35 *Higher Priced Mortgage Loans (HPML)*.
 - The required payment of unearned interest through the end of the month in which an FHA loan is paid off IS NOT considered a prepayment penalty under Reg. Z.
 - Correspondent lenders are required to run an APR Test on every owner-occupied transaction to determine if the loan is a Section 35 loan. The APR Test can be run by going to the FFIEC website at <http://www.ffiec.gov/ratespread/newcalc.aspx>.
- The APR Test must be performed based on the date of the lock agreement between the Correspondent lender and the borrower. The preliminary results of the APR Test must be included in the underwriting package on all owner-occupied ST underwritten loans. ***The final results of the APR Test must be included in ALL applicable owner-occupied closed loan packages.***
- If the transaction is a Section 35 loan, it must meet the requirements of this section. The Correspondent lender must mark the appropriate boxes on the Correspondent Closing Checklist ([COR_0013](#)) indicating the lender’s lock agreement and APR Test screen shot is included in the loan file.
- SunTrust will require Correspondent lenders to repurchase any loan, if it is discovered that the loan is subject to Section 32, does not meet Section 35 or Regulation Z requirements or is a high-cost loan under state or local regulations. Correspondent lenders are urged to consult with their Compliance Officer or Legal Counsel for information, interpretation, and/or additional requirements related to Section 35 of Regulation Z.

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Section 32/35-HPML (Higher Priced Mortgage Loans), Continued

Qualified Mortgage Points and Fees Test

- SunTrust will not knowingly purchase or fund any loan delivered that fails the Qualified Mortgage Points and Fees Test.
 - Coverage applies to purchase money, refinance, and equity loans secured by the owner's primary residence or second home.
 - For a loan to be classified as a Qualified Mortgage, certain points and fees caps are imposed, which are based on loan amount and are either a percentage or fixed dollar amount:
 - The dollar amount caps will be adjusted annually for inflation by the CFPB.
 - As part of the Qualified Mortgage regulation, the CFPB introduced a new category of higher priced transactions, in addition to higher priced mortgage loans for determination of legal liability. Higher Priced Covered Transactions (HPCT) include loans for other consumer purposes that are not covered by the HPML rules, including the purchase or refinance of a second home and a cash out refinance of an investment property.
 - The HPCT test is the same as the HPML test.
 - APR Test: The APR exceeds the Average Price Offering Rate (APOR) of a comparable transaction by more than:
 - 1.5% for 1st liens; OR
 - 3.5% for 2nd liens
 - SunTrust will not purchase or fund loans for the purchase or refinance of a second home or cash out refinances for investment properties that fail the HPCT test.
 - Correspondent lenders are urged to consult with their Compliance Officer or Legal Counsel for information, interpretation, and/or additional requirements related to Qualified Mortgages of Regulation Z.
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Loan Originator (LO) Compensation

Overview

- Revisions to Regulation Z imposes new requirements governing loan originator compensation and steering that became effective with all loan applications received on or after April 1, 2011. The purpose of these revisions are to protect consumers in the mortgage market from unfair or abusive lending practices that can arise from certain loan originator compensations practices, while preserving responsible lending and sustainable homeownership.
- These requirements prohibit:
 - a loan originator from receiving compensation from both the consumer and any other person (including the lender) on a given transaction.
 - a loan originator from steering a consumer to a transaction based on the fact the originator will receive greater compensation from the creditor in that transaction than in other transactions the originator offered or could have offered to the consumer, unless the transaction is in the consumers interest.
 - payments to the loan originator that are based on the loan's interest rate or other terms. Compensation that is based on a fixed percentage of the loan amount is permitted.
- Penalties for non-compliance with these new regulations are severe. In addition to the penalty risk for the originating lender, in certain cases, the cost of penalties for violations will act as a reduction to a secondary market investor's recovery in foreclosure, so we must work together to mitigate risk associated with non-compliance.
- The definition of loan originator compensation is very broad under the regulation, so it is prudent to review them carefully to understand how they apply to your business.
- The final rules, which apply to closed-end loans secured by a consumer's dwelling, will:
 - Prohibit payments to the loan originator that are based on the loan's interest rate or other terms. Compensation that is based on a fixed percentage of the loan amount is permitted.
 - Prohibit a mortgage broker or loan officer from receiving payments directly from a consumer while also receiving compensation from the creditor or another person.
 - Prohibit a mortgage broker or loan officer from "steering" a consumer to a lender offering less favorable terms in order to increase the broker's or loan officer's compensation.
 - Provide a safe harbor to facilitate compliance with the anti-steering rule.

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Loan Originator (LO) Compensation, Continued

Overview, (continued)

- The safe harbor is met if: The consumer is presented with loan options for each type of transaction in which the consumer expresses an interest (that is, a fixed rate loan, adjustable rate loan, or a reverse mortgage); and the loan options presented to the consumer include the following:
 - The lowest interest rate for which the consumer qualifies;
 - The lowest points and origination fees, and
 - The lowest rate for which the consumer qualifies for a loan with no risky features, such as a prepayment penalty, negative amortization, or a balloon payment in the first seven years.

A few highlights outlining the similarities and differences between “Borrower Paid Compensation” and “Lender Paid Compensation” are as follows:

Borrower-Paid Broker Compensation	Lender-Paid Broker Compensation
The amount of compensation is negotiated between the broker and the borrower(s) and can vary from one transaction to the next.	The amount of compensation will be based on a set percentage of the loan amount and cannot vary from one transaction to the next.
The borrower may use credits from the interest rate chosen to pay for third party fees, but may not be used to cover compensation.	The borrower may use credits from the interest rate chosen to pay for third party fees.
The borrower may pay discount points to reduce the note rate.	The borrower may pay discount points to reduce the note rate.
The borrower must pay the broker compensation from their own funds or from proceeds of the new loan.	The compensation cannot come from the borrower.
The Broker may offer concessions, reduce fees, or pay for tolerance violations.	Broker may not reduce compensation by offering concessions or paying for tolerance violations.

SunTrust is committed to making this change as seamless as possible for our Lenders. Our lenders remain responsible for compliance with all applicable laws, regulations and SunTrust policy.

- Loans that fail to comply with these rules will not be eligible for purchase by SunTrust .

Other Resources:

<http://www.philadelphiafed.org>

Kansas Uniform Consumer Credit Code

Kansas Uniform Consumer Credit Code

- For all lenders that are not “supervised financial organizations,” Kansas requires the delivery of a disclosure to the borrower on any high loan-to-value mortgage loan secured by property in Kansas.
 - The Kansas Uniform Consumer Credit Code defines a “high loan-to-value mortgage” as any LTV/TLTV ratio that exceeds 100% based upon the appraisal of the property. This provision applies to any consumer loans secured by a first and second lien mortgages on the borrower’s principal residence.
 - If, based upon the appraisal, the LTV/TLTV ratio of the loan exceeds 100% then you **must** deliver to the borrower:
 - a free copy of the appraisal; and
 - a *Kansas High Loan-To-Value Notice*. A copy of the notice must be given to the borrower not less than **three days** before the loan closes and a copy placed in the file.
 - If, within three days after receiving the notice, the borrower elects not to enter into the loan transaction, then any application fees or other amounts paid by the borrower to the lender must be promptly refunded. However, the lender is NOT required to refund any bona fide out-of-pocket costs paid or payable to a third party and incurred before the borrower elected not to enter into the loan transaction.
 - Correspondent lenders should consult their Legal Counsel regarding questions concerning the Kansas Uniform Consumer Credit Code.
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Right of Rescission

Right to Rescind

- Each person who has an ownership interest in the security property and uses the property as principal dwelling has a right to rescind.
 - SunTrust does not require rescission on Investment properties, Purchases, or Second Homes.
 - Rescission errors that would prevent SunTrust from purchasing the loan:
 - failure to offer rescission,
 - failure to provide material disclosures,
 - failure to provide at least three (3) business days for the rescission period,
 - disbursement of funds prior to the rescission period ending,
 - rescission form or TIL not signed by all parties with the right to rescind,
 - wrong format used, and/or
 - incomplete or incorrect information on the rescission form.
 - The right to rescind applies to the refinance loan of an owner-occupied property holding title in a living trust.
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Waiver of Rescission

SunTrust does not accept waivers of rescission.

Tangible Net Benefit

**Tangible Net
Benefit Form or
Appropriate
Documentation
Required**

- It is SunTrust's policy that written documentation signed by the borrower, stating the reasonable tangible net benefit resulting from the refinance, be prepared for **all applicable** home loan refinances and be placed in the file.
 - SunTrust requires lenders to comply with any applicable state laws that may require a Tangible Net Benefit form.
 - A sample *Borrower(s) Certificate of Reasonable Tangible Net Benefit for Refinance Loans* ([COR 0028](#)) is available for lender use.
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Miscellaneous

Lock Agreements

- SunTrust requires documentation of the date of rate lock or rate set between the lender and the borrower. This lock agreement should contain the following:
 - Lock Date
 - Lock Expiration
 - Loan Amount
 - Borrower Name, Address and Loan Number
 - On some form of company letterhead.
 - If a Correspondent lender does not use lock agreements, they must provide the date the rate was set in the purchase package submitted to SunTrust.
 - ST requires lenders comply with any applicable state laws that may require a state specific rate lock agreement.
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ARM Loans

- For all Adjustable Rate Mortgage (ARM) transactions, ***SunTrust will require either the fully indexed rate or the index value used to generate the Loan Estimate and Closing Disclosures to be noted on the Correspondent lender's closing instructions. The source and date for the index used for the disclosures must also be provided in the purchase package.***
 - Lenders may wish to check with their document preparation company to see if this is an option available on the closing instructions.
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HMDA Information

General

- The Home Mortgage Disclosure Act (HMDA) requires the compilation and reporting of data about applications received and about applicant(s) characteristics.
- HMDA makes available to the public information that shows whether financial institutions are serving the housing credit needs of their neighborhoods and communities.
- The data can also help identify possible discriminatory lending patterns.
- In order to be in compliance with HMDA, SunTrust requires the completion of Section X of the Uniform Residential Loan Application (1003) and the Demographic Information addendum to be completed as of January 1, 2018.
- Race, ethnicity and gender information must be provided for all borrowers if the application was taken “face-to-face.”
- Additionally, any discrepancies between the initial and final typed application (1003) must be explained by the Correspondent lender.
- If the required demographic information has not been supplied by the Correspondent or does not match on the initial and final typed 1003’s, the underwriter or purchase reviewer will require the information as a “prior to closing” (PTC) or “prior to funding” (PTF) condition.
- SunTrust will not purchase a loan without accurate demographic information.
- The date of an applicant’s birth is required on the 1003 loan application.
 - This information permits the Lender to confirm the applicant is able to enter into a legally binding contract and may assist in resolving discrepancies that may appear on a credit report.
 - In addition, the USA Patriot Act requires the Lender to obtain and verify each applicant’s date of birth.
- Delegated Correspondent lenders are required to provide the ULI (Universal Loan Identifier). If a delegated Correspondent lender has determined it is not subject to HMDA Reg C, the lender is required to notify SunTrust upon file submission, so that a SunTrust ULI can be generated.

Continued on next page

HMDA Information, Continued

HMDA Compliance Issues

- For purposes of IRS 1098 year end reporting, SunTrust Mortgage, Inc. only reports mortgage interest that has been paid by the borrower to SunTrust via the regular monthly principal and interest payment.
- Any interest paid to the Correspondent lender (including per diem interest on the Closing Disclosure prior to regular monthly mortgage payments received by SunTrust should be reported to the IRS by the Correspondent. This policy applies to all loans except table fund transactions.
- The Correspondent lender, in all cases, is responsible for IRS 1098 year end reporting of discount points. There are no circumstances or transactions, in the Correspondent Lending Division of SunTrust, where it is appropriate for SunTrust to report discount points for IRS 1098 year end reporting.
- For HMDA reporting purposes, loans sold to SunTrust, may report a purchaser type code of (6): Commercial bank, savings bank, or savings association.

Note: Correspondent lenders are urged to consult with their Legal and Compliance departments for all of the revisions, information, interpretation and/or additional requirements related to HMDA.

HMDA Reporting

- If a Correspondent receives an application from a consumer, it reports the HMDA data and outcome of that application.
 - If a Correspondent submits an application to SunTrust for a credit decision (non-delegated), SunTrust reports the HMDA data and outcome of that application.
 - If a Correspondent submits an application to SunTrust for purchase only (delegated), SunTrust only reports loans that result in a completed purchase.
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