

Product Release

Information for Correspondent Lenders of SunTrust Bank
April 26, 2019 • COR19-017



Alert

Update

Reminder

Clarification

Training
Information

Preview

Agency Guideline Revisions

SunTrust Bank (SunTrust) revises Agency Loan Product Advisor[®] (LPA[®]) product guidelines to align with recently announced Freddie Mac updates. With these updates, we revise and/or clarify LPA guidelines related to the following:

- alimony or maintenance payments
- documentation requirements for self-employed borrowers
- restricted stock/restricted stock units income documentation requirements
- rental income requirements
- lender incentives
- credit assessment with LPA

We refresh our non-AUS and DU social security income guidelines to more closely reflect Fannie Mae's language and presentation of guidance. Additionally, we revise the *Certification of Project Compliance: Condominium Lender Warranties-Agency and Non-Agency Loan Products* ([COR 0212A](#)) form.

Effective Dates

- Updates related to the following are effective immediately for new loan applications on or after April 26, 2019:
 - alimony or maintenance payments
 - lender incentives
- All other updates are effective immediately for existing and new loan applications on or after April 26, 2019.

Background Information

Freddie Mac Bulletin 2019-5 announced updates impacting various guideline requirements. In response to this publication, we reviewed impacted guidelines and identified the opportunity to implement revisions to align with Freddie Mac requirements.

In support of our guideline improvement initiative, we continue to refresh our guidelines to more closely reflect the Agencies' language and/or presentation of guidance. Additionally, we identified the opportunity to update form COR 0212a to better support previously published guidance.

Bulletin Details

Alimony or Maintenance Payments

For LPA loans, we revise guidelines to reflect that alimony or maintenance payments, with more than 10 months of payments remaining, must be deducted from the borrower's gross monthly income (instead of including these payments in the borrower's monthly debt payment). Use the reduced monthly income amount to qualify the borrower.

Documentation Requirements for Self-Employed Borrowers

Currently for LPA loans, one year of business and personal tax returns are required when the business has been in existence for five or more years. We clarify guidelines to specify that the borrower must be self-employed (i.e., have an ownership interest of 25% or more) in the same business for at least five years to take advantage of this flexibility.

Restricted Stock/Restricted Stock Units Income Documentation Requirements

For LPA loans, we streamline the documentation requirements for using restricted stock (RS) and restricted stock units (RSU) as qualifying income by making the following changes:

- Permitting the type of vesting provision to be verified with other documentation (e.g., an offer letter), in addition to the currently required RS and/or RSU agreement

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Bulletin Details, continued

Restricted Stock/Restricted Stock Units Income Documentation Requirements, continued

- Allowing income verification obtained through a third-party verification service provider, provided that RS and/or RSU payouts are clearly identified and distinguished
- Updating the requirement for vesting schedule(s) to state that they must be “currently in effect,” rather than “most recent,” as previously stated
- Removing the requirement for documented “date(s) of the payout(s)”

Rental Income Requirements

We clarify LPA rental income requirements to reflect:

- When it is appropriate to use a lease to document rental income as opposed to using the Schedule E
- That rental income can offset the full monthly payment rather than just the principal, interest, taxes and insurance

Lender Incentives

For LPA loans, we revise requirements to state that the lender may provide the borrower with a cash or a cash-like (e.g., a gift card) incentive that is not lender credit toward the mortgage transaction, provided the following requirements are met:

- The amount of the incentive does not exceed \$500
- No repayment is required
- The amount of the incentive is documented in the mortgage file

Do not consider the incentive as cash-out to the borrower and do not include the incentive in the calculation of the proceeds of the mortgage. Apply these requirements regardless of whether the incentive is provided before, at or after the mortgage closing.

Credit Assessment with LPA

For LPA loans, we eliminate the requirement that the lender must determine if the decision repository file used to create the selected borrower’s credit report contains significant inaccurate credit information.

Other Guideline Improvement and Form Updates

- For non-AUS and DU social security income guidelines, we revise footnote references and make other formatting updates to more closely reflect Fannie Mae’s language and presentation of guidance
- We revise the *Certification of Project Compliance: Condominium Lender Warranties-Agency and Non-Agency Loan Products* ([COR 0212A](#)) form to support the new Freddie Mac “Exempt from Review” Project Classification type introduced in Product Release Bulletin [COR19-012](#)

Before and After Matrices

- [Click here](#) to see the before and after matrix for a detailed overview of the updates related to the following:
 - alimony or maintenance payments
 - lender incentives
- [Click here](#) to see the before and after matrix for a detailed overview of all other updates.

Revised Materials

Click [Agency Loan Programs](#) and *Certification of Project Compliance: Condominium Lender Warranties-Agency and Non-Agency Loan Products* ([COR 0212A](#)) 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. Contact Correspondent Relations Coordinators at 800.382.2111, Option 1.
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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