

Product Release

Information for Correspondent Lenders of SunTrust Bank
May 17, 2019 • COR19-021



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:

- limit the number of financed residential properties that occupying borrowers may have an ownership interest in to two, for Home Possible[®] mortgage transactions (*See the effective dates section below for details regarding SunTrust's purchase deadline for Home Possible loans with occupying borrowers who have an ownership interest in more than two financed residential properties*)
- update second home mortgage guidelines
- revise the calculation to determine the amount used to establish the debt payment-to-income ratio for assets as a basis for repayment of obligations
- update documentation requirements for:
 - long-term disability income
 - retirement income
 - social security income
 - Department of Veterans Affairs (VA) benefits income
- permit the use of Freddie Mac's Condo Project AdvisorSM

We remove all references to Fannie Mae's Home Affordable Refinance Program[®] (HARP) product, DU Refi Plus[™], from our product guideline documents and retire all DU Refi Plus product specific materials. Additionally, we continue to improve the presentation of our guidelines.

Effective Dates

- The Home Possible multiple financed properties update is effective immediately for new loan applications on or after May 17, 2019.
 - **Purchase Deadline:** In order to meet Freddie Mac's delivery requirements, all Home Possible loans with occupying borrowers who have an ownership interest in **more than two** financed residential properties must be purchased by SunTrust **on or before** June 3, 2019.
- All other updates are effective immediately for existing and new loan applications on or after May 17, 2019.

Background Information

Freddie Mac Bulletins 2018-18, 2019-4, and 2019-7 announced updates impacting various LPA 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 response to the completion of our pipeline of DU Refi Plus loans, we identified and removed all DU Refi Plus product guideline references and product specific materials. Additionally, in support of our guideline improvement initiative, we identified the opportunity to refresh Section 1.14: Hazard and Flood Insurance to promote clarity and consistency in our guidelines.

Bulletin Details

Home Possible Mortgages – Multiple Financed Properties

We revise Home Possible mortgage requirements to state that the occupying borrower(s) must not have an ownership interest in more than two financed residential properties, including the subject property, as of the note date.

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Bulletin Details, continued

Second Home Mortgages

For LPA loans, we revise second home mortgage guidelines to:

- Permit second homes with seasonal limitations on year-round occupancy (e.g., lack of winter accessibility) provided the appraiser includes at least one comparable sale with similar seasonal limitations to demonstrate the marketability of the subject property
- Specify that the property may be rented out on a short-term basis provided that:
 - the borrower keeps the property securing the second home mortgage available primarily (i.e., more than half of the calendar year) as a residence for the borrower's personal use and enjoyment; and
 - the property is not subject to any rental pools or agreements that require the borrower to rent the property, give a management company or entity control over the occupancy of the property or involve revenue sharing between any owners and developer or another party

Note: Rental income from the borrower's second home still remains ineligible for qualification purposes.

Assets as a Basis for Repayment of Obligations

For LPA loans, we revise the calculation to determine the amount used to establish the debt payment-to-income ratio for assets as a basis for repayment of obligations. The calculation now requires the lender to divide the net eligible assets by 240 (instead of 360, as previously required).

Income Documentation Requirements

We revise LPA documentation requirements for long-term disability income, retirement income, social security income, and VA benefits income. Guidelines now specify that one or more of the required documents [i.e., benefit verification letter, award letter, pay statement, 1099, and bank statement(s)] can be used to verify the income type, source, payment frequency, payment amount, and current receipt of the income. Separate verification of the current receipt of income is no longer required if the documentation obtained to support the income type, source, payment frequency, and predetermined payment amount also verifies current receipt of income.

Freddie Mac's Condo Project Advisor

Freddie Mac's Condo Project Advisor allows authorized lenders to submit a request (to Freddie Mac) for single loan exceptions [referred to as a Project Waiver Request (PWR)] for **established** condominium projects that do not meet certain condominium project eligibility requirements. For LPA loans, we now permit the purchase of condominium mortgages with an approved PWR obtained through the use of Freddie Mac's Condo Project Advisor. See the applicable before and after matrix for additional details.

Note: SunTrust requires the use of Special Feature Code (SFC) PWR to identify a condominium unit mortgage with an approved PWR obtained through the use of Freddie Mac's Condo Project Advisor. [Click here](#) for the appropriate process to notify SunTrust of this required SFC. This information is also located within Section 1.08: Loan Delivery and Purchase Review of the *Correspondent Seller Guide*.

DU Refi Plus Product Guidelines and Forms Retirement

Due to the retirement of Fannie Mae's DU Refi Plus loan program (previously announced in Product Releases [COR 18-046](#) and [COR 18-061](#)) and the completion of our DU Refi Plus pipeline, we remove all references to DU Refi Plus from our product guideline documents and retire all DU Refi Plus product specific materials. DU Refi Plus references will be removed from LendingSpace in the near future.

Other Guideline Improvement Updates

To promote clarity and consistency in our guidelines, we remove obsolete Agency loan programs guidance from the "Hazard Insurance – Condominiums" topic within Section 1.14: Hazard and Flood Insurance. For Agency loan programs, all hazard and flood insurance guidelines are outlined in the "Property and Flood Insurance" topic within Section 2.01: Agency Loan Programs of the *Correspondent Seller Guide*.

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Bulletin Details, continued

Before and After Matrices

- [Click here](#) to see the before and after matrix for a detailed overview of the Home Possible multiple financed properties update.
- [Click here](#) to see the before and after matrix for a detailed overview of all other LPA updates.

Revised Materials

Click [Eligible Mortgage Loans](#), [Automated Underwriting](#), [Underwriting](#), [Condominium and PUD Approval Requirements](#), [Loan Delivery and Purchase Review](#), [Hazard and Flood Insurance](#), [Maximum Number of Financed Properties and Borrower Exposure](#), [Agency Loan Programs](#), [Fannie Mae HomeReady®](#) and [Freddie Mac Home Possible® Mortgages](#), and [Correspondent Agency Overlay Matrix](#) to review the revised product materials.

As a result of the DU Refi Plus product retirement, we **removed** the following product materials in their entirety:

- DU Refi Plus™ Overlays Matrix
- Section 1.26a: Subordinations for DU Refi Plus
- Section 2.04: DU Refi Plus™ Loan Program
- *Request for SunTrust to SunTrust Information for DU Refi Plus™ Loans* (COR 0062)
- *DU Refi Plus Condominium Questionnaire* (COR 0217)
- *SunTrust Secondary Financing Subordination Checklist – DU Refi Plus™* (COR 1372)

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. 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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