

Product Release

Information for Correspondent Lenders of SunTrust Bank
October 4, 2019 • COR19-046



Alert

Update

Reminder

Clarification

Training
Information

Preview

Agency Guideline Revisions

SunTrust Bank (SunTrust) revises Agency Loan Product Advisor[®] (LPA[®]) guidelines to align with recently announced Freddie Mac updates. With these updates we:

- enhance the LPA asset and income modeler (AIM) for self-employed income offering to permit an automated analysis of the eligible income sources
- revise Home Possible[®] requirements for rental income from 1-unit primary residences
- update requirements for obtaining borrower signatures on IRS Form 4506-T
- revise requirements for including real estate taxes in the borrower's monthly housing expense
- clarify requirements related to the following:
 - accounts held in the name of a living trust
 - signed letters or e-mails from the borrower

Effective Dates

- The LPA AIM for self-employed income enhancements are effective for LPA submissions and resubmissions on and after September 8, 2019.
- The Home Possible rental income update is effective immediately for new loan applications on or after October 4, 2019.
- All other updates are effective immediately for existing and new loan applications on or after October 4, 2019.

Background Information

Freddie Mac Bulletin 2019-16 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.

Bulletin Details

LPA AIM for Self-Employed Income

We enhance the LPA AIM for self-employed income offering to permit an automated analysis of the eligible income sources to support that the business has sufficient liquidity and is financially capable of producing stable monthly income for the borrower (referred to in revised guidelines as "business and income analysis"). This enhancement eliminates the requirement for the lender to perform a business and income analysis for all eligible sources of income that appear on the Income Calculation Report.

Important Note: LPA loans for borrowers with self-employed income evaluated using automated income assessment with LPA using tax return data (i.e., LPA AIM for self-employed income) must be underwritten by a Correspondent lender approved by SunTrust for delegated underwriting authority. These transactions are not eligible for purchase if SunTrust underwrites the loan.

We also incorporate the requirements related to the verification of business assets used for closing and current existence of the business into this guideline topic for ease of reference.

Home Possible Mortgages - Rental Income Requirements

We revise Home Possible mortgage requirements to state that rental income from a 1-unit primary residence must be provided by a person who:

- Is not obligated on the mortgage and does not have an ownership interest in the mortgaged premises
- Is not the borrower's spouse or domestic partner

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Bulletin Details, continued

IRS Form 4506-T, Request for Transcript of Tax Return

For LPA loans, previously, all borrowers whose income and assets were used to qualify for a mortgage were required to sign IRS Form 4506-T **both** on the application date and again on the note date. We revise LPA guidelines and remove the “at application” signature requirement. Guidelines now state that IRS Form 4506-T must be signed no later than the note date. Freddie Mac has updated the applicable LPA feedback messages to reflect this change.

Calculation of Monthly Housing Expense - Real Estate Taxes

For LPA loans, we clarify guidelines to state that the real estate tax amount included in the monthly housing expense must be based on the value of the improvements plus the value of the land. We also provide additional guidance related to the amount of real estate tax that must be included in the monthly housing expense calculation in a jurisdiction where a transfer of ownership leads to a change in the tax amount and for properties with tax abatements.

Accounts Held in the Name of a Living Trust

For LPA loans, we clarify that asset accounts held in the name of a living trust are considered to be owned by the borrower when the borrower is the settlor of the living trust. As a result, such assets are considered borrower personal funds and are also eligible to be used in conjunction with the provisions of the “Assets as a Basis for Repayment of Obligations” guidelines.

Signed Letters or E-mails from the Borrower

We revise the following LPA guideline topics to specify that when written explanations or statements are required from the borrower, acceptable formats include signed letters or e-mails directly from the borrower:

- Home Possible / Boarder Income
- Pooled Funds
- Temporary Leave Income

Before and After Matrices

- [Click here](#) to see the before and after matrix that provides a detailed overview of the LPA AIM for self-employed income updates.
- [Click here](#) to see the before and after matrix that provides a detailed overview of the Home Possible rental income update.
- [Click here](#) to see the before and after matrix that provides a detailed overview of all other LPA updates.

Revised Materials

Click [Underwriting](#), [Agency Loan Programs](#), and [Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages](#) 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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