Product Release

Information for Correspondent Lenders of SunTrust now Truist Bank
May 1, 2020 • COR20-016

SunTrust Now Truist

Alert | **Update** | Reminder | Clarification | Training Information | Preview

Agency Guideline Revisions

SunTrust now Truist Bank (Truist) revises Agency product guidelines to more closely align with recently announced Fannie Mae and Freddie Mac updates. With these updates, we revise and/or clarify guidelines related to the following:

- non-applicant debt
- bridge loan debt
- mortgages secured by properties subject to resale restrictions, including Affordable Seconds® used to subsidize the purchase of such properties
- property eligibility and appraisal requirements, with a focus on rural markets and property types
- condominium unit mortgages with approved Project Waiver Requests (PWRs)
- mortgages with single-premium lender-paid mortgage insurance

In support of our guideline improvement initiative, we also update non-AUS and Desktop Underwriter® (DU®) condominium guidelines to remove the special feature code (SFC) 588 lender notification requirement for detached condominium units.

Effective Dates

All updates are effective immediately for existing and new loan applications on or after May 1, 2020.

Background Information

Fannie Mae SEL-2019-09 and Freddie Mac Bulletin 2019-22 announced updates impacting various guideline requirements. In response to these publications, we reviewed impacted guidelines and identified the opportunity to implement revisions to more closely align with Fannie Mae and Freddie Mac requirements.

In support of our guideline improvement initiative, we identified the opportunity to revise our SFC lender notification requirements for non-AUS and DU detached condominium transactions.

Bulletin Details

Non-Applicant Debts

- DU guidelines currently permit lenders to omit debts identified as non-applicant accounts from DU and exclude them from the borrower's DTI ratio when supporting documentation is provided. With today's update, we align with Fannie Mae and consolidate current DU non-applicant accounts guidelines in a new "Non-Applicant Accounts" subtopic and apply this guidance to both non-AUS and DU loans.
- We also clarify Loan Product Advisor® (LPA®) guidelines to indicate that lenders can omit debts identified as non-applicant accounts from LPA and exclude them from the borrower's DTI ratio when supporting documentation is provided.

Bridge Loans in Monthly Debt Obligations

For non-AUS and DU loans, we align with Fannie Mae and revise liability guidelines to provide the following bridge loan guidance:

- When a borrower obtains a bridge (or swing) loan, the funds from that loan can be used for closing on a new primary residence before the current residence is sold. This creates a contingent liability that must be considered part of the borrower's recurring monthly debt obligations and included in the DTI ratio calculation.
- Fannie Mae will waive this requirement and not require the debt to be included in the DTI ratio if the following documentation is provided:
  - a fully executed sales contract for the current residence, and
  - confirmation that any financing contingencies have been cleared.

Bulletin Details, continued

Properties Subject to Resale Restrictions

For LPA loans, we align with Freddie Mac by:

- Clarifying that:
  - the resale restriction controls may be administered by the subsidy provider or a program administrator
  - when a mortgage secured by a resale-restricted property is in foreclosure and/or subject to an approved short sale, the right of first refusal must have a time period not exceeding 90 days
- Providing guidance for appraisal comparable sales selection when resale restrictions terminate and when they survive foreclosure or recordation of a deed-in-lieu of foreclosure
- For mortgages secured by income-based resale restricted properties:
  - revising requirements to permit cash-out refinance transactions and to permit borrowers to obtain cash proceeds from refinance transactions as long as the subsidy provider or program administrator approved the transaction
  - adding requirements relating to the subsidy provider and program administrator
  - adding guidance regarding how to calculate the borrower's required down payment based on the subsidized purchase price
  - specifying that subsidy providers may be entitled to obtain "excess proceeds" in certain instances when the income-based resale restrictions survive foreclosure or the recordation of a deed-in-lieu of foreclosure where proceeds remain following the sale or transfer of an REO property
  - permitting the source of the Affordable Second to be a government agency or a non-profit entity that acts as the program administrator for the government agency; the non-profit entity may also act as the property seller on behalf of the government agency

    Note: The source of the Affordable Second may ***not*** be a non-profit entity that is also the property seller but is not affiliated with a government agency. This is a new SunTrust now Truist overlay.

  - eliminating the limits on the share of appreciation (equity sharing) an Agency or subsidy provider funding an Affordable Second can receive when the Agency or subsidy provider is managing an eligible income-based resale restriction program and meets other eligibility criteria (see the attached Before and After Matrix for additional details)

Property Eligibility and Appraisal Requirements

For LPA loans, we align with Freddie Mac and provide additional guidance for:

- Appraisal adjustments, recognizing that large adjustments are common and acceptable in rural markets
- The acceptability of non-traditional types of properties (examples include "barndominiums" (barn conversions or barn-style buildings), "shouses" (living-space and work/storage combinations), berm homes, log homes and geodesic dome dwellings)

Condominium Projects

- For LPA loans, we align with Freddie Mac and revise guidelines to reflect the revised delivery timeframe (i.e., within 120 days after the note date) for condominium unit mortgages with approved PWRs.

  Note: The above referenced delivery timeframe applies to when SunTrust now Truist must deliver these loans to Freddie Mac.

- For non-AUS and DU loans, SFC 588 is automatically derived as a part of SunTrust now Truist's loan delivery process. As a result, we remove the SFC 588 Correspondent lender notification requirement for detached condominium units

Bulletin Details, continued

Single Premium Lender-Paid Mortgage Insurance

For LPA loans, we align with Freddie Mac and revise single premium lender-paid mortgage insurance guidelines to reflect the following:

- The lender must ensure that the required mortgage insurance for the mortgage is in full force and effective on the delivery date of the mortgage regardless of whether the entire mortgage insurance premium is paid by the lender prior to the delivery date. The lender must obtain and be able to produce evidence of any required mortgage insurance (including, but not limited to, a certificate of insurance).

Before and After Matrix

Click here to see the before and after matrix for a detailed overview of these updates.

Revised Materials

Click Condominium and PUD Approval Requirements, Appraisal Guidelines, Agency Loan Programs, Fannie Mae HomeReady® and Freddie Mac Home Possible® Mortgages, 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.

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.