

Agency Guideline Revisions

Note: SunTrust specific overlays are underlined.

Topic	Impacted Document	Impacted Products	Current Guidelines	Revised Guidelines Effective for NEW Loan Applications ON OR AFTER October 25, 2019
Escrow Accounts	Correspondent Section 2.01 Agency Loan Programs	<ul style="list-style-type: none"><li>Standard Agency (non-AUS, DU &amp; LPA)</li><li>Agency Plus (DU &amp; LPA)</li><li>HomeReady® (non-AUS &amp; DU)</li><li>Home Possible® (LPA)</li><li>Texas Section 50(a)(6) Mortgages (non-AUS, DU &amp; LPA)</li></ul>	<p><b>Closing and Loan Settlement Documentation / Escrow Accounts and Escrow Waivers</b></p> <p><b>Non-AUS</b></p> <ul style="list-style-type: none"><li><b>Escrow Accounts</b><ul style="list-style-type: none"><li>First mortgages generally must provide for the deposit of escrow funds to pay as they come due, including taxes, ground rents, premiums for property insurance, and premiums for flood insurance. However, escrow deposits for the payment of premiums for borrower-purchased mortgage insurance (if applicable) are mandatory.</li><li>Fannie Mae does not require an escrow deposit for property or flood insurance premiums for an individual unit in a condo or PUD when the project in which the unit is located is covered by a blanket insurance policy purchased by the homeowners’ association.</li><li>If a special assessment levied against the property was not paid at loan closing, the borrower’s payment must include appropriate accruals to ensure that any estimated annual payment toward the assessment will be accumulated by the time it comes due.</li><li>For certain refinance transactions where the borrower is financing real estate taxes in the loan amount, an escrow account is required, subject to applicable law or regulation. See the “Limited Cash-Out Refinance” and “Cash-Out Refinance” subtopics in the “Refinances” topic for additional information.</li></ul></li><li><b>Escrow Waivers</b><ul style="list-style-type: none"><li>Fannie Mae advocates the establishment of an escrow account for the payment of taxes and insurance, particularly for borrowers with blemished credit histories or first-time homeowners.</li><li>Unless required by law or regulation, lenders may waive escrow account requirements for an individual first mortgage, provided the standard escrow provision remains in the mortgage loan legal documents. Lenders cannot waive an escrow account for certain refinance transactions or for the payment of premiums for borrower-purchased mortgage insurance (if applicable).</li><li>When the requirement for an escrow account is waived, the lender must retain Fannie Mae’s right to enforce the requirement in appropriate circumstances.</li><li>Lenders must have a written policy governing the circumstances under which escrow accounts may be waived. When a lender permits escrow waivers, subject to the mortgage documents and applicable law, the lender’s written policies must provide that the waiver not be based solely on the LTV ratio of a loan, but also on whether the borrower has the financial ability to handle the lump-sum payments of taxes, insurance, and other items described above.</li></ul></li><li><b>Borrower Eligibility</b><ul style="list-style-type: none"><li>SunTrust guidelines for determining if the borrower has the financial ability to handle the lump-sum payments of taxes, insurance, and other items is defined as the borrower credit history not having one of the following characteristics:<ul style="list-style-type: none"><li>Derogatory Credit History, such as:<ul style="list-style-type: none"><li>There is more than one account showing recent late payments.</li><li>There is more than one 30-day late mortgage payment in the last 12 months.</li><li>There are multiple episodes of late payments extending over a period of time.</li><li>The public record information reveals occurrences of derogatory credit information, including judgments, tax liens, and/or collection accounts.</li></ul></li><li>High DTI with no savings</li><li>Insufficient reserves to handle large special assessments levied against the property</li></ul></li></ul></li><li><b>Escrows, Loan Transactions, and Property Types Ineligible for Waiver</b><ul style="list-style-type: none"><li>The product requires the establishment of an escrow account.</li></ul></li></ul>	<p><b>Closing and Loan Settlement Documentation / Escrow Accounts and Escrow Waivers</b></p> <p><b>Non-AUS</b></p> <ul style="list-style-type: none"><li><b>Escrow Accounts</b><ul style="list-style-type: none"><li>First mortgages generally must provide for the deposit of escrow funds to pay as they come due, including taxes, ground rents, premiums for property insurance, and premiums for flood insurance. However, escrow deposits for the payment of premiums for borrower-purchased mortgage insurance (if applicable) are mandatory.</li><li>Fannie Mae does not require an escrow deposit for property or flood insurance premiums for an individual unit in a condo or PUD when the project in which the unit is located is covered by a blanket insurance policy purchased by the homeowners’ association.</li><li>If a special assessment levied against the property was not paid at loan closing, the borrower’s payment must include appropriate accruals to ensure that any estimated annual payment toward the assessment will be accumulated by the time it comes due.</li><li>For certain refinance transactions where the borrower is financing real estate taxes in the loan amount, an escrow account is required, subject to applicable law or regulation. See the “Limited Cash-Out Refinance” and “Cash-Out Refinance” subtopics in the “Refinances” topic for additional information.</li></ul></li><li><b>Escrow Waivers</b><ul style="list-style-type: none"><li>Fannie Mae advocates the establishment of an escrow account for the payment of taxes and insurance, particularly for borrowers with blemished credit histories or first-time homeowners.</li><li>Unless required by <b>law, lenders</b> may waive escrow account requirements for an individual first mortgage, provided the standard escrow provision remains in the mortgage loan legal documents. Lenders cannot waive an escrow account for certain refinance transactions <b>(see above)</b> or for the payment of premiums for borrower-purchased mortgage insurance (if applicable). When the requirement for an escrow account is waived, the lender must retain Fannie Mae’s right to enforce the requirement in appropriate circumstances.</li><li>Lenders must have a written policy governing the circumstances under which escrow accounts may be waived. When a lender permits escrow waivers, subject to the mortgage documents and applicable law, the lender’s written policies must provide that the waiver not be based solely on the LTV ratio of a loan, but also on whether the borrower has the financial ability to handle the lump sum payments of taxes, insurance, and other items described above.</li></ul></li><li><b>Borrower Eligibility</b><ul style="list-style-type: none"><li>SunTrust guidelines for determining if the borrower has the financial ability to handle the lump-sum payments of taxes, insurance, and other items is defined as the borrower credit history not having one of the following characteristics:<ul style="list-style-type: none"><li>Derogatory Credit History, such as:<ul style="list-style-type: none"><li>There is more than one account showing recent late payments.</li><li>There is more than one 30-day late mortgage payment in the last 12 months.</li><li>There are multiple episodes of late payments extending over a period of time.</li><li>The public record information reveals occurrences of derogatory credit information, including judgments, tax liens, and/or collection accounts.</li></ul></li><li>High DTI with no savings</li><li>Insufficient reserves to handle large special assessments levied against the property.</li></ul></li></ul></li><li><b>Escrows Ineligible for Waiver</b><ul style="list-style-type: none"><li>SunTrust further clarifies that the following escrows are ineligible for waiver:</li></ul></li></ul>

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			<ul style="list-style-type: none"><li>Borrower Paid Mortgage Insurance</li><li>Flood insurance, if:<ul style="list-style-type: none"><li>the subject property is a primary residence (all transaction types) second homes (all transaction types) or a cash-out refinance investment property or</li><li>the subject property is a condominium and all individual flood insurance policies for the condominium unit shows the client as the insured, including flood insurance policies that are required to supplement a Residential Condominium Building Association Policy (RCBAP) shortfall.<ul style="list-style-type: none"><li>A condominium and some PUD properties are not required to establish an escrow for flood insurance if that condominium or PUD property has a master policy that carries sufficient flood coverage and that policy reflects the HOA as the insured and not the subject. However if it is acceptable for the client to obtain an individual flood policy, the mandatory escrow is required for the individual policies.</li></ul></li></ul></li><li>Real estate taxes if:<ul style="list-style-type: none"><li>Limited cash-out (rate/term) refinance transactions that include the financing of real estate taxes that are due and payable at closing</li><li>Cash-out refinance transactions that include the financing of delinquent real estate taxes (taxes past due by more than 60 days).</li></ul></li></ul> <p><b>Fannie Mae DU</b> Follow DU requirements, which are the same as non-AUS guidelines.</p> <p><b>Freddie Mac LPA</b> <u>Follow LPA requirements, which are the same as non-AUS guidelines.</u></p>	<ul style="list-style-type: none"><li><b>Borrower</b> Paid Mortgage Insurance</li><li>Flood Insurance if:<ul style="list-style-type: none"><li>the subject property is a primary residence (all transaction types), second <b>home</b> (all transaction types), or a cash-out refinance investment property, or</li><li>the subject property is a condominium and all individual flood insurance policies for the condominium unit shows the client as the insured, including flood insurance policies that are required to supplement a Residential Condominium Building Association Policy (RCBAP) shortfall.<ul style="list-style-type: none"><li>A condominium and some PUD properties are not required to establish an escrow for flood insurance if that condominium or PUD property has a master policy that carries sufficient flood coverage and that policy reflects the HOA as the insured and not the subject. However if it is acceptable for the client to obtain an individual flood policy, then mandatory escrow is required for the individual policies.</li></ul></li></ul></li></ul> <p><b>SunTrust Note:</b> The above guidance applies, <u>regardless of any exception under the Homeowner Flood Insurance Affordability Act (HFIAA) for small lenders.</u></p> <li>Real estate taxes if:<ul style="list-style-type: none"><li>Limited cash-out (rate/term) refinance <b>transaction includes</b> the financing of real estate taxes that are due and payable at closing</li><li>Cash-out refinance <b>transaction includes</b> the financing of delinquent real estate taxes (taxes past due by more than 60 days), <b>unless requiring an escrow account is not permitted by applicable law or regulation.</b></li></ul><p><b>Reference:</b> See the “Limited Cash-Out Refinance” and “Cash-Out Refinance” subtopics in the “Refinances” topic for additional information.</p><p><b>Fannie Mae DU</b> Follow DU requirements, which are the same as non-AUS guidelines.</p><p><b>Freddie Mac LPA</b> Follow LPA requirements, which are <b>as follows:</b></p><ul style="list-style-type: none"><li><b>Escrow Requirements</b><ul style="list-style-type: none"><li>Freddie Mac does not require escrow accounts except with respect to the collection of borrower-paid mortgage insurance paid monthly and when required by applicable law.</li></ul></li><li><b>Lender Policy for Not Requiring Escrow accounts</b><ul style="list-style-type: none"><li>Lenders that sell mortgages without escrow accounts must establish and maintain a written policy for determining when escrow accounts are not required. The lender’s determination that escrow accounts are not required for a mortgage must be based on the evaluation of the borrower’s ability to make all payments for the expenses to be paid under the mortgage as they become due. These expenses include, but are not limited to, taxes, special assessments, ground rents and other charges that are or may become first liens on the mortgaged premises, as well as property insurance premiums. Lenders may not waive the requirement for escrow accounts with respect to collection of borrower-paid mortgage insurance and when escrows are required by law.</li></ul></li></ul><ul style="list-style-type: none"><li><b>Borrower Eligibility</b></li></ul></li>

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