

# Product Release

Information for Correspondent Lenders of SunTrust Bank  
February 22, 2019 • COR19-005



Alert

Update

Reminder

Clarification

Training  
Information

Preview

## Agency Income and Other Guideline Revisions

SunTrust Bank (SunTrust) revises Agency product guidelines to align with recently announced Fannie Mae and Freddie Mac updates. With these updates we:

- increase the maximum LTV/TLTV/HTLTV ratio [non-AUS and Desktop Underwriter<sup>®</sup> (DU<sup>®</sup>)] for borrowers using employment-related assets as qualifying income when certain requirements are met
- clarify non-AUS and DU employment verification guidance for union members
- revise Loan Product Advisor<sup>®</sup> (LPA<sup>®</sup>) rental income guidelines
- update LPA documentation requirements for:
  - social security retirement and disability benefits income
  - settlement/closing disclosure statements

We also revise DU guidelines to permit the use of non-employment related liquid assets as qualifying income when certain requirements are met.

### Effective Dates

- All LPA rental income guideline revisions are effective immediately for new loan applications on or after February 22, 2019.
- All other updates are effective immediately for new and existing loan applications on or after February 22, 2019.

### Background Information

Fannie Mae SEL-2018-08 and Freddie Mac Bulletin 2018-19 announced updates impacting various income guidelines and other loan documentation requirements. In response to these publications, we reviewed impacted guidelines and identified opportunities to implement revisions to align with Fannie Mae and Freddie Mac requirements. Additionally, to increase origination opportunities, we now permit the use of non-employment related liquid assets as qualifying income.

### Bulletin Details

#### Fannie Mae Guideline Revisions

For non-AUS and DU loans, we align with Fannie Mae by:

- Revising guidelines for borrowers using employment-related assets as qualifying income as follows:
  - Increasing the maximum LTV/TLTV/HTLTV ratio from 70% to 80% when the asset(s) owner is at least 62 years old at the time of closing
    - If the asset(s) is jointly owned, all owners must be borrowers on the loan and the borrower using the income to qualify must be at least 62 years old at the time of closing
- Clarifying employment verification guidance for union members, when a union facilitates the borrower's placement in each assignment, to allow the union to provide:
  - The verbal verification of employment (VOE) for a union member who is currently employed
  - An executed employment offer or contract for a union member who is not scheduled to begin employment until after the loan closes

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## Bulletin Details, continued

### Fannie Mae Guideline Revisions, continued

For DU loans, we now permit the use of non-employment related assets as qualifying income when certain requirements are met. See the applicable before and after matrix for complete details.

- Use Special Feature Code (SFC) 579 to identify a mortgage with non-employment related assets used for qualifying income.

**Note:** [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 our *Correspondent Seller Guide*.

### Freddie Mac LPA Guideline Revisions

We align with Freddie Mac by:

- Revising rental income guidelines as follows:
  - Removing the requirement that the net rental income considered for qualification must not exceed 30% of the borrower's monthly qualifying income unless the borrower has a minimum of one-year rental management experience
  - Adding the following requirements:
    - The borrower must own a primary residence to use rental income to qualify when purchasing a new rental (i.e., investment) property, and
    - Whether purchasing a new rental property or converting a primary residence to a rental property, if the borrower does not have a minimum of one-year investment property management experience:
      - The rental income can only offset the principal, interest, taxes and insurance (PITI) of the rental property, and
      - Rental income exceeding the PITI cannot be added to the borrower's gross monthly income to qualify
  - Reducing the number of years of tax returns required
    - Now, only the borrower's most recent federal income tax return, in lieu of the most recent two years' federal income tax returns, is required; rental income must be annualized unless the mortgage file documents that the property was renovated or purchased late in the prior calendar year
- Revising documentation requirements for social security retirement income and disability benefits income granted by the Social Security Administration to permit:
  - A copy of the Social Security Administration benefits verification letter; **or**
  - Documentation evidencing current receipt of social security retirement or disability benefits
- Permitting the use of an alternative form (required by law) to meet the settlement/closing disclosure statement documentation requirement under the following guideline topics: "Sale or Refinance of Real Property," "Secondary Financing" (including Community Seconds<sup>®</sup> / Affordable Seconds<sup>®</sup>), and "Delayed Financing Cash-Out Refinance"

### Before and After Matrices

- [Click here](#) to see the before and after matrix for a detailed overview of all Agency non-AUS and DU updates.
- [Click here](#) to see the before and after matrix for a detailed overview of the Agency LPA rental income updates.
- [Click here](#) to see the before and after matrix for a detailed overview of all other Agency LPA guideline updates.

### Revised Materials

Click [Agency Loan Programs](#) and [Correspondent Agency Overlay Matrix](#) to review the revised product materials.

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## 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. Direct contact information for each correspondent relations coordinator is located in General Section 1.01: The Correspondent Division
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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