

Product Release



Information for Correspondent Lenders of SunTrust Bank
May 31, 2019 • COR19-023

Alert

Update

Reminder

Clarification

Training
Information

Preview

Agency Manually Underwritten Transactions and Other Revisions

SunTrust Bank (SunTrust) revises Agency product guidelines to more closely align with recently announced Fannie Mae updates and improve the presentation of our guidelines. With these updates we:

- revise eligibility requirements for standard Agency and HomeReady® manually underwritten (non-AUS) transactions with maximum debt-to-income ratios (DTIs) $\leq 45\%$ to correspond with recent adjustments to the credit risk assessment in Desktop Underwriter® (DU®) Version 10.3
- revise primary residence guidance for borrowers who provide housing for a handicapped or disabled adult child
- clarify lender responsibilities for leasehold estates
- refresh guideline requirements for the following topics:
 - address/unit verification
 - DU appraisal waivers
 - occupancy verification/misrepresentation
 - properties with two or more parcels

Effective Dates

- The updates related to revised eligibility requirements for non-AUS loans are effective for new loan applications on or after June 1, 2019.
 - **Purchase Deadline:** In order to meet Fannie Mae's delivery requirements for non-AUS loans underwritten to **current** eligibility requirements, we are imposing a purchase cut-off date. Fannie Mae non-AUS loan applications taken prior to June 1, 2019 and underwritten to current eligibility requirements will be honored; however, they must close on or before **July 12, 2019**.
- All other updates are effective immediately for existing and new loan applications on or after May 31, 2019.

Background Information

Fannie Mae SEL-2019-02 announced guideline updates related to the following: eligibility requirements for non-AUS transactions, primary residences, and leasehold estates. In response to this publication, we reviewed impacted guidelines and identified opportunities to implement revisions to more closely align with Fannie Mae requirements.

Additionally, in support of our guideline improvement initiative, we identified opportunities to refresh our guidelines to promote clarity, consistency, and to more closely reflect the Agencies' language and/or presentation of guidance.

Bulletin Details

Non-AUS Eligibility Requirement Revisions

- For non-AUS loans, we more closely align with Fannie Mae by:
 - Providing comprehensive revisions to the eligibility requirements for standard Agency and HomeReady transactions with maximum DTIs $\leq 45\%$ to address loans with multiple risk factors, such as lower credit scores and higher DTIs. Updates impact minimum credit score tiers based on LTV/TLTV/HTLTV (LTVs) ratio maximums and minimum cash reserve requirements. Highlights of these revisions for loans with DTIs $\leq 45\%$ include:
 - For one-unit primary residence purchase and rate/term refinance transactions:
 - Increasing the minimum credit score requirement to 720 for LTVs $> 75\%$ and 680 for LTVs $\leq 75\%$ with no minimum cash reserves required
 - Permitting an additional credit score tier of 700 for LTVs $> 75\%$ and 660 for LTVs $\leq 75\%$ with six months minimum cash reserves required

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Bulletin Details, continued

Non-AUS Eligibility Requirement Revisions, continued

- For one-unit primary residence cash-out refinance transactions, increasing the minimum cash reserve requirement from zero to two months
- For second home purchase and rate/term refinance transactions:
 - Increasing the minimum credit score requirement to 720 for LTVs > 75% and 680 for LTVs ≤ 75% with two months minimum cash reserves required
 - Permitting an additional credit score tier of 700 for LTVs > 75% and 660 for LTVs ≤ 75% with 12 months minimum cash reserves required

Primary Residence Guidance for Borrowers who Provide Housing for a Handicapped or Disabled Adult Child

For non-AUS and DU loans, we revise primary residence guidance for borrowers who provide housing for a physically handicapped or developmentally disabled adult child by removing the terms “physically” or “developmentally” from the guidelines. This update aligns with Fannie Mae’s intent, which is to be inclusive of all disabilities.

Leasehold Estates

For non-AUS and DU loans, we align with Fannie Mae and clarify that one of the lenders responsibilities in the proper review of leasehold estates is to ensure Fannie Mae’s first-lien enforceability as part of the terms of the lease.

Other Guideline Revisions

For the below referenced topics, we refreshed guidelines to promote clarity, consistency, and to more closely reflect the Agencies’ language and/or presentation of guidance.

- address/unit verification
- DU appraisal waivers
- occupancy verification/misrepresentation
- properties with two or more parcels

Before and After Matrices

- [Click here](#) to see the before and after matrix that provides a detailed overview of the revised eligibility requirement for non-AUS loans.
- [Click here](#) to see the before and after matrix that provides a detailed overview of all other updates.

Revised Materials

Click [Appraisal Guidelines](#), [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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