

# Product Release



Information for Correspondent Lenders of SunTrust Bank  
September 20, 2019 • COR19-045

Alert

Update

Reminder

Clarification

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## Agency LPA Condominium and Other Guideline Revisions

SunTrust Bank (SunTrust) revises Agency Loan Product Advisor<sup>®</sup> (LPA<sup>®</sup>) guidelines to more closely align with recently announced Freddie Mac updates. With these updates we:

- update our condominium guidelines to add more flexibility by:
  - revising requirements related to the following ineligible project characteristics:
    - projects in litigation
    - projects with excessive single investor concentration
  - excluding commercial parking facilities from the calculation of commercial or non-residential space
  - increasing the maximum TLTV and HTLTV ratio for investment property transactions *in the state of Florida* for Streamlined Project Reviews
  - permitting the use of an approval through FHA's HUD Review and Approval Process (HRAP) for conventional loans secured by units in established condominium projects
- further clarify condominium project compliance and Project Eligibility Review Service (PERS) requirements
- clarify requirements related to the following topics:
  - bridge loans
  - flood insurance (acceptable flood insurance policies)

We also improve the presentation of our bridge loans, flood insurance, and electronic signature guidelines.

### Effective Dates

All updates are effective immediately for existing and new loan applications on or after September 20, 2019.

### Background Information

Freddie Mac Bulletin 2019-11 announced updates impacting LPA condominium and various other guideline requirements. In response to this publication, we reviewed impacted guidelines and identified the opportunity to implement revisions to more closely align with Freddie Mac requirements.

In support of our guideline improvement initiative, we reviewed bridge loan and flood insurance guidelines and identified opportunities to refresh our guidelines to align with the Agencies' presentation of guidance. We also identified the opportunity to update electronic signature guidelines to provide additional transparency regarding existing overlays.

### Bulletin Details

#### Condominium Guideline Revisions

We align with Freddie Mac and revise LPA condominium guidelines. Highlights of the guideline revisions are outlined in the table below. See the attached before and after matrix for additional details.

Topic	Summary of Condominium Guideline Revisions
Ineligible Project Characteristics	<ul style="list-style-type: none"><li>• <b>Projects in Litigation:</b> Expanding the types of eligible minor litigation to include litigation where the estimated or known amount is not expected to exceed 10% of the condominium project's funded reserves, provided that this does not violate the applicable jurisdiction's laws and regulations</li><li>• <b>Projects with Excessive Single Investor Concentration:</b> Excluding units owned/controlled by non-profits for affordable housing, units in affordable housing programs, and units retained by higher-education institutions for workforce housing from the single investor concentration calculation</li></ul>

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## Bulletin Details, continued

### Condominium Guideline Revisions, continued

Topic	Summary of Condominium Guideline Revisions
Condominium Project Compliance	Specifying that Freddie Mac requires the condominium project to remain in full compliance with applicable state laws and regulations, the requirements of the relevant jurisdiction, and all other applicable laws and regulations
Condominium Projects with Commercial Parking Facilities	<ul style="list-style-type: none"><li>Excluding commercial parking facilities from the calculation of commercial or non-residential space.</li><li>In conjunction with this change, adding a requirement that for established and new condominium projects review types, the homeowners association must not receive more than 10% of its budgeted income from the rental or leasing of commercial parking facilities</li></ul>
Investment Properties Transactions <i>in the state of Florida</i> and Streamlined Reviews	For investment property transactions, increasing the maximum TLTV and HTLTV ratio <i>from 70% to 75%</i> for mortgages secured by condominium units in established condominium projects in Florida under the Streamlined Project Review
FHA-Approved Project review for Condominiums	Permitting conventional loans secured by units in established condominium projects approved by FHA's HUD Review and Approval Process (HRAP)
PERS Approvals	Clarifying that lenders must comply with any conditions set by Fannie Mae on the final PERS approval.

### Bridge Loans

For LPA loans, we align with Freddie Mac and clarify guidelines to reflect that, as with any other financing secured by a property, required monthly payments on bridge loans must be included in the monthly debt payment-to-income ratio calculation.

### Flood Insurance

For LPA loans, we align with Freddie Mac and clarify flood insurance guidelines to reflect that an acceptable flood insurance policy may be one of the following:

- A standard policy issued by the NFIP, or
- A policy issued by a private insurer that is qualified under the "General Property Insurance Requirements" (outlined in Section 2.01: Agency Loan Programs of the *Correspondent Seller Guide*), with at least equivalent terms and conditions to the standard NFIP policy for the types of improvements insured, including coverage, deductibles and exclusions and conditions offered.

**Note:** Flood insurance overlay relief updates related to the condominium owners' association and unit owner's flood insurance coverage requirements are also available today (for all underwriting methods). See Product Release Bulletin [COR19-044](#) for complete details.

### Other Guideline Improvement Updates

In addition to the updates previously outlined in this communication, we further revise the guideline topics outlined below to more closely reflect the Agencies' presentation of guidance. For these guideline improvement revisions, guideline intent remains the same.

- Bridge Loans
- Flood Insurance Coverage Requirements

We also revise our electronic signature guidelines (for all underwriting methods) to provide additional transparency by underlining existing overlays.

### Before and After Matrix

[Click here](#) to see the before and after matrix that provides a detailed overview of all updates.

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## Bulletin Details, continued

### Revised Materials

Click [Condominium and PUD Approval Requirements](#), [Electronic Signature Requirements](#), [Agency Loan Programs](#), [Certification of Project Compliance: Condominium Lender Warranties-Agency and Non-Agency Loan Products \(COR 0212A\)](#), 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.

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