

Correspondent Mortgage Bulletin

Information for Correspondent Lenders of SunTrust Mortgage, Inc.

July 18, 2014 • COR14-076



Alert

Update

Reminder

Clarification

Training
Information

Preview

5/2/5 Caps Ineligible for Agency 5/1 ARMs in LP

SunTrust Mortgage, Inc. reminds correspondent lenders that fully amortizing Agency 5/1 London InterBank Offered Rate (LIBOR) adjustable rate mortgage (ARM) products processed through Loan Prospector® (LP), with a 5% initial cap, 2% periodic cap, and 5% lifetime cap (5/2/5) structure, are not eligible under our Freddie Mac product offerings. The 5/1 ARM with a 5/2/5 cap structure continues to be available for non-automated underwriting (non-AUS) and Desktop Underwriter® (DU) underwriting methods, as applicable for the specific program.

Agency 5/1 ARM products with a 2/2/5 cap structure are eligible for non-AUS, DU, and LP, as applicable for the specific program. As a reminder, all 5/1 ARM borrowers qualify at the greater of the note rate + 2% or the fully indexed (index + margin) rate.

Intended Audience

Origination Processing	Secondary Marketing	Underwriting	Closing Delivery Funding	Compliance Legal	Other
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Effective Dates

No new effective date.

Background Information

We recently received inquiries regarding the eligibility of Agency 5/1 ARM products for delivery to Freddie Mac. As previously published in bulletin [COR13-019](#), Freddie Mac announced that they would stop accepting Agency 5/1 ARM products with initial caps greater than 2%, making SunTrust Mortgage's 5/1 ARM products with 5/2/5 caps ineligible for delivery to Freddie Mac. The 5/1 ARM with a 2/2/5 cap structure continues to be eligible for delivery to Freddie Mac. We take this opportunity to remind correspondent lenders of this guidance and to clarify our existing guidelines to enhance client experience and mitigate risk.

Bulletin Details

Freddie Mac Loan Programs

Fully amortizing 5/1 ARMs with 5/2/5 caps are not eligible for LP loans. These continue to be eligible for non-AUS and DU processed Agency transactions.

Note: 5/1 ARMs with 2/2/5 caps are eligible for LP loans.

Action Required

**Origination, Processing,
Underwriting, Closing, Delivery,
and Funding**

Starting July 18, 2014

Continue to follow the published guidance.

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Bulletin Details, continued

Reminder Regarding Agency 5/1 ARM Qualifying Rate

All Agency 5/1 ARM borrowers qualify at the greater of the note rate + 2% or the fully indexed (index + margin) rate.

Revised Materials

Click [Agency Loan Programs](#) to view the revised material.

Other Resources

Support Group	Description and Contact Information:
Account Manager or Correspondent Relations Coordinator	Specific questions on applying this procedure to specific loan files. Direct contact information for each account manager or correspondent relations coordinator is located in General Section 1.01: The Correspondent Division
Resource Center	Provides phone and email support on products, policies, and procedures as well as new product rollout and existing product enhancement. Contact the Resource Center at 800.382.2111, Option 1, Option 2.

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