

Product Support Bulletin



Information for Correspondent Lenders of SunTrust Mortgage, Inc.
October 21, 2016 • COR16-033

Alert

Update

Reminder

Clarification

Training
Information

Preview

PACE Financing for FHA and VA Loans

SunTrust Mortgage, Inc. announces Federal Housing Administration (FHA) and Veterans Affairs (VA) purchase or refinance loan with an outstanding Property Assessed Clean Energy (PACE) obligation remaining in first or subordinate lien position to the new mortgage is ineligible

Intended Audience

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

Friday, October 21, 2016

All updates are effective immediately for both existing and new loan applications on or after this date.

Background Information

Certain energy retrofit lending programs, often referred to as Property Assessed Clean Energy (PACE) finance residential energy improvements and generally repaid through the homeowner's real estate tax bill. These loans typically have automatic first lien priority over previously recorded mortgages.

Bulletin Details

Outstanding PACE Obligation

The following applies to FHA and VA transactions with a PACE obligation:

- A purchase or refinance loan with a PACE loan remaining in a first or subordinate lien position to the new mortgage transaction is not eligible.
- Payoff of all PACE obligations is required as a condition to obtaining a new mortgage loan.
- No-cash out refinance loans (streamline, rate/term and simple) transactions may not use proceeds from the new mortgage to pay off the PACE loan.
- On a cash-out/regular refinance transaction, it is acceptable to use the proceeds from the new mortgage transaction to pay off the PACE loan.

Action Required

Origination, Processing, Secondary Marketing, Underwriting, Closing, Delivery, Funding, Compliance and Legal.

Starting October 21, 2016

Apply the guidelines that are outlined in this bulletin.

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Bulletin Details, continued

Revised Materials

Click [Federal Housing Administration \(FHA\) Loan Programs](#), [Veterans Administration \(VA\) Loan Program](#) and [Correspondent Government Credit Overlay Matrix](#) for revised materials.

Former Guidelines

Previously, SunTrust Mortgage did not provide guidance for transactions with a PACE loan..

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 4.

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