Agency Guideline Revisions

***Note**: SunTrust specific overlays are underlined.*

Topic	Impacted Document	Impacted Products	Current Guidelines	Revised Guidelines Effective for NEW Loan Casefiles Submitted to DU ON OR After December 8, 2018

Credit Score Requirements	Correspondent Section 2.01 Agency Loan Programs-Guideline	• Standard Agency (DU)
		• Agency Plus (DU)
		• HomeReady® Mortgage (DU)
		• Texas Cash-Out Refi (DU)
			Credit Requirements / Credit Score Requirements
			
			Non-AUS
			***Note**: Below is an EXCERPT only of the non-AUS guidelines from the below referenced section. All other currently published guidelines remain the same.*
			
			• Credit Score Versions
			  • Credit scores are required for most mortgage loans purchased or securitized by Fannie Mae. The classic FICO credit score is produced from software developed by Fair Isaac Corporation and is available from the three major credit repositories. Fannie Mae requires the following versions of the classic FICO score:
			    • Equifax Beacon® 5.0;
			    • Experian®/Fair Isaac Risk Model V2SM; and
			    • TransUnion FICO® Risk Score, Classic 04.
			  • The lender must request these FICO credit scores for each borrower from each of the three major credit repositories when they order the three in-file merged credit report. If the borrower's credit file includes complete and accurate information to ensure the validity of the credit score, the lender does not need to further evaluate the borrower's creditworthiness.
			
			Note: The credit report will indicate if a credit score could not be produced due to insufficient credit. The credit report must be maintained in the mortgage loan file, whether the report includes traditional credit and a credit score or indicates that a credit score could not be produced due to insufficient or frozen credit.
			
			Reference: See "Frozen Credit Requirements" in the "Credit Reports" subtopic previously presented in this topic for additional guidance related to underwriting borrowers with frozen credit.
			
			Fannie Mae DU
			Follow DU requirements, which are the same as non-AUS-guidelines, except as follows:
			• Credit scores are not an integral part of DU's risk assessment because DU performs its own analysis of the credit report data. However, lenders must request credit scores for each borrower from each of the three credit repositories when they order the three in-file merged credit report. If one or two of the credit repositories do not contain any credit information for the borrowers who have traditional credit, the credit report is still acceptable as long as:
			  • credit data is available from one repository,
			  • a credit score is obtained from that repository, and
			  • the lender requested a three in-file merged report.
			
			Note: If the transaction does not meet the above requirements, refer to the "Nontraditional Credit History" subtopic, subsequently presented in this topic, for underwriting and eligibility requirements for DU loans in which one or more borrowers do not have a credit score.
			
			• The use of a credit score from a foreign country is not permitted.
			• For Agency Plus transactions, Fannie Mae requires that all borrowers must have at least one credit score.
			• The minimum credit score is <u>640</u>, with the following exception:
			  • If the borrower is financing a second home or investment property, and the borrower will have seven to ten financed properties, the minimum credit score is 720.
			
			Note: For standard Agency transactions, see the "Nontraditional Credit History" subtopic, subsequently
				Credit Requirements / Credit Score Requirements
				
				Non-AUS
				***Note**: Below is an EXCERPT only of the non-AUS guidelines from the below referenced section. All other currently published guidelines remain the same.*
				
				• **Credit Score Versions**
				  • Credit scores are required for most mortgage loans purchased or securitized by Fannie Mae. The classic FICO credit score is produced from software developed by Fair Isaac Corporation and is available from the three major credit repositories. Fannie Mae requires the following versions of the classic FICO score:
				    • Equifax Beacon® 5.0;
				    • Experian®/Fair Isaac Risk Model V2SM; and
				    • TransUnion FICO® Risk Score, Classic 04.
				  • The lender must request these FICO credit scores for each borrower from each of the three major credit repositories when they order the three in-file merged credit report. If the borrower's credit file includes complete and accurate information to ensure the validity of the credit score, the lender does not need to further evaluate the borrower's creditworthiness.
				
				Note: The credit report will indicate if a credit score could not be produced due to insufficient credit. The credit report must be maintained in the mortgage loan file, whether the report includes traditional credit and a credit score or indicates that a credit score could not be produced due to insufficient or frozen credit.
				
				Reference: See "Frozen Credit Requirements" in the "Credit Reports" subtopic previously presented in this topic for additional guidance related to underwriting borrowers with frozen credit.
				
				Fannie Mae DU
				Follow DU requirements, which are the same as non-AUS-guidelines, except as follows:
				• Credit scores are not an integral part of DU's risk assessment because DU performs its own analysis of the credit report data. However, lenders must request credit scores for each borrower from each of the three credit repositories when they order the three in-file merged credit report. If one or two of the credit repositories do not contain any credit information for the borrowers who have traditional credit, the credit report is still acceptable as long as:
				  • credit data is available from one repository,
				  • a credit score is obtained from that repository, and
				  • the lender requested a three in-file merged report.
				
				Note: If the transaction does not meet the above requirements, refer to the "Nontraditional Credit History" subtopic, subsequently presented in this topic, for underwriting and eligibility requirements for DU loans in which one or more borrowers do not have a credit score.
				
				• When a loan casefile is submitted to DU for a borrower with a credit score, but only medical tradelines are reported on the credit report, the loan casefile will receive an Out of Scope recommendation and must be manually underwritten.
				• The use of a credit score from a foreign country is not permitted.
				• For Agency Plus transactions, Fannie Mae requires that all borrowers must have at least one credit score.
				• The minimum credit score is <u>640</u>, with the following exception:
				  • If the borrower is financing a second home or investment property, and the borrower will have seven

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			presented in this topic, for guidance on when a borrower is relying on nontraditional credit to qualify (i.e., no borrower has a credit score *OR* at least one borrower has no credit score and another borrower has a credit score).	to ten financed properties, the minimum credit score is 720. **Note**: For standard Agency transactions, see the "Nontraditional Credit History" subtopic, subsequently presented in this topic, for guidance on when a borrower is relying on nontraditional credit to qualify (i.e., no borrower has a credit score *OR* at least one borrower has no credit score and another borrower has a credit score).

Cash Reserve Requirements	Correspondent Section 2.01 Agency Loan Programs-Guideline	• Standard Agency (DU)
		• Agency Plus (DU)
		• HomeReady® Mortgage (DU)
		• Texas Cash-Out Refi (DU)
			Cash Requirements / Cash Reserve Requirements
			
			Non-AUS
			***Note**: Below is an EXCERPT only of the non-AUS guidelines from the below referenced section. All other currently published guidelines remain the same.*
			
			• **What are Liquid Financial Reserves?**
			  • Liquid financial reserves are those liquid or near liquid assets that are available to a borrower after the mortgage closes. Liquid financial reserves include cash and other assets that are easily converted to cash by the borrower by
			    • drafting or withdrawing funds from an account,
			    • selling an asset,
			    • redeeming vested funds, or
			    • obtaining a loan secured by assets from a fund administrator or an insurance company.
			  • Reserves are measured by the number of months of the qualifying payment amount for the subject mortgage (based on PITIA) that a borrower could pay using his or her financial assets.
			  • Funds to close are subtracted from available assets when considering sufficient assets for reserves.
			
			Fannie Mae DU
			Follow DU requirements, which are the same as non-AUS guidelines, except as follows:
			• DU will determine the reserve requirements based on the overall risk assessment of the loan, the minimum reserve requirement that may be required for the transaction, and whether the borrower has multiple financed properties. If a borrower has multiple financed properties and is financing a second home or investment property, DU will base the reserve calculations for the other financed properties on the number of financed properties determined by DU. See the "Calculation of Reserves for Multiple Financed Properties" section below for additional details.
			
			• **Calculation of Reserves for Multiple Financed Properties**
			  • If the borrower owns other financed properties (determined in accordance with the requirements outlined in the "Multiple Financed Properties for the Same Borrower" subtopic presented in this document), additional reserves must be calculated and documented for financed properties other than the subject property and the borrower's primary residence. The other financed properties reserves amount must be determined by applying a specific percentage to the aggregate of the outstanding unpaid principal balance (UPB) for mortgages and HELOCs on these other financed properties. The percentages are based on the number of financed properties:
			    • 2% of the aggregate UPB if the borrower has one to four financed properties,
			    • 4% of the aggregate UPB if the borrower has five to six financed properties, or
			    • 6% of the aggregate UPB if the borrower has seven to ten financed properties.
			  • The aggregate UPB calculation does not include the mortgages and HELOCs that are on
			    • the subject property,
			    • the borrower's primary residence,
			    • properties that are sold or pending sale, and
				Cash Requirements / Cash Reserve Requirements
				
				Non-AUS
				***Note**: Below is an EXCERPT only of the non-AUS guidelines from the below referenced section. All other currently published guidelines remain the same.*
				
				• **What are Liquid Financial Reserves?**
				  • Liquid financial reserves are those liquid or near liquid assets that are available to a borrower after the mortgage closes. Liquid financial reserves include cash and other assets that are easily converted to cash by the borrower by
				    • drafting or withdrawing funds from an account,
				    • selling an asset,
				    • redeeming vested funds, or
				    • obtaining a loan secured by assets from a fund administrator or an insurance company.
				  • Reserves are measured by the number of months of the qualifying payment amount for the subject mortgage (based on PITIA) that a borrower could pay using his or her financial assets.
				  • Funds to close are subtracted from available assets when considering sufficient assets for reserves.
				
				Fannie Mae DU
				Follow DU requirements, which are the same as non-AUS guidelines, except as follows:
				• DU will determine the reserve requirements based on the overall risk assessment of the loan, the minimum reserve requirement that may be required for the transaction, and whether the borrower has multiple financed properties.
				
				SunTrust Note: Cash-out refinance transactions for borrowers with a DTI ratio exceeding 45% must have at least six months of PITIA reserves. If there are not at least six months reserves, the loan casefile will receive an Ineligible recommendation.
				
				• If a borrower has multiple financed properties and is financing a second home or investment property, DU will base the reserve calculations for the other financed properties on the number of financed properties determined by DU. See the "Calculation of Reserves for Multiple Financed Properties" section below for additional details.
				
				• **Calculation of Reserves for Multiple Financed Properties**
				  • If the borrower owns other financed properties (determined in accordance with the requirements outlined in the "Multiple Financed Properties for the Same Borrower" subtopic presented in this document), additional reserves must be calculated and documented for financed properties other than the subject property and the borrower's primary residence. The other financed properties reserves amount must be determined by applying a specific percentage to the aggregate of the outstanding unpaid principal balance (UPB) for mortgages and HELOCs on these other financed properties. The percentages are based on the number of financed properties:
				    • 2% of the aggregate UPB if the borrower has one to four financed properties,

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			• accounts that will be paid by closing.	• 4% of the aggregate UPB if the borrower has five to six financed properties, or • 6% of the aggregate UPB if the borrower has seven to ten financed properties. • The aggregate UPB calculation does not include the mortgages and HELOCs that are on • the subject property, • the borrower's primary residence, • properties that are sold or pending sale, and • accounts that will be paid by closing.