

# Agency Guideline Revisions

*Note: SunTrust specific overlays are underlined.*

Topic	Impacted Document	Impacted Products	Current Guidelines	Revised Guidelines Effective for NEW Loan Applications ON OR AFTER May 6, 2019																					
Postponed Improvements	Correspondent Section 2.01 Agency Loan Programs-Guideline	<ul style="list-style-type: none"> <li>Standard Agency (non-AUS &amp; DU)</li> <li>Agency Plus (DU)</li> <li>HomeReady® Mortgage (non-AUS &amp; DU)</li> <li>Texas Section 50 (a)(6) Mortgages (non-AUS &amp; DU)</li> </ul>	<p><b>Eligible Transactions / Fannie Mae’s HomeStyle® Energy for Improvements on Existing Properties/Freddie Mac’s GreenCHOICE Mortgages<sup>SM</sup></b></p> <p><b>Non-AUS</b></p> <p><i>Note: Below is an EXCERPT only of the guidelines from the above referenced section. All other currently published guidelines in this section remain the same.</i></p> <ul style="list-style-type: none"> <li><b>Requirements for HomeStyle Energy Improvements on Existing Construction</b> <ul style="list-style-type: none"> <li>The table below provides the postponed improvement requirements for a loan with HomeStyle Energy improvement feature(s).</li> </ul> </li> </ul> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #003366; color: white; text-align: center;">Requirements for HomeStyle Energy Improvements on Existing Construction</th> </tr> </thead> <tbody> <tr> <td>Mortgages may be delivered to SunTrust before the energy-related improvements are complete; however, the postponed improvements must be completed within 180 days of the date of the mortgage note. 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			<p>principal balance of the mortgage loan. The value of sweat equity and “Do It Yourself” improvements are not reimbursable.</p> <p>Lenders must obtain a final title report, which must not show any outstanding mechanic’s liens, take any exceptions to the postponed improvements, or take any exceptions to the escrow agreement. If the final title report is issued before the completion of the improvements, lenders must obtain an endorsement to the title policy that ensures the priority of the lender’s lien.</p> <p><b>Additional SunTrust Instructions:</b></p> <ul style="list-style-type: none"> <li>Send the completed Satisfactory Completion Certificate to the Purchase Relations Specialist.</li> <li>Send the mechanic’s lien waivers to the Purchase Relations Specialist.</li> <li>The correspondent lender is responsible for follow-up on all outstanding escrow agreements. If improvements are not made as agreed, SunTrust will hold the correspondent lender responsible for completing the improvements with the escrowed funds.</li> </ul> <p>• <b>Lender Responsibilities</b></p> <ul style="list-style-type: none"> <li>The lender is responsible for: <ul style="list-style-type: none"> <li>ensuring that the appraiser has been provided with a copy of the energy report, if one was required and other required documentation described in this subtopic,</li> <li>managing the completion escrow account in which improvement funds are held, and</li> <li>monitoring the completion of the HomeStyle Energy improvement work.</li> </ul> </li> </ul> <p style="padding-left: 40px;">Reference: See the “Requirements for HomeStyle Energy Improvements on Existing Construction” section outlined above for additional details.</p> <ul style="list-style-type: none"> <li>The lender must maintain a copy of all of the documentation in the individual loan file that supports the energy-related improvement work, such as the energy report, “as completed” appraisal, home improvement contract, certification of completion, and title insurance endorsements or updates (if applicable).</li> </ul> <p>• <b>Special Feature Code Requirement</b></p> <ul style="list-style-type: none"> <li>Use SFC 375 to identify a mortgage loan originated using the HomeStyle Energy feature.</li> </ul> <p><b>Note:</b> Fannie Mae will credit the <b>lender</b> (selling the loan to Fannie Mae) a \$500 loan level price adjustment for loans with financed energy-related improvements on existing properties (that include SFC 375 as a part of the delivery information). At this time, SunTrust is unable to pass this \$500 price adjustment credit on to the Correspondent Lender.</p> <p><b>Fannie Mae DU Loans</b> Follow DU requirements, which are the same as non-AUS guidelines, except as follows:</p> <ul style="list-style-type: none"> <li><b>Product Eligibility</b> <ul style="list-style-type: none"> <li>Energy-related improvements are permitted on existing properties in conjunction with all standard Agency products and features including, but not limited to: <ul style="list-style-type: none"> <li>high-balance (i.e., Agency Plus) loans,</li> <li>Community Seconds,</li> <li>loans with deed restrictions (including programs that allow below market rate mortgages),</li> <li>down payment assistance programs, and</li> <li>HomeReady loans.</li> </ul> </li> </ul> </li> </ul>	<p>from the escrow account, which should include any funds in excess of the amount needed to pay for completion of the postponed items. 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A certification of completion must be obtained to verify the work was completed and must: <ul style="list-style-type: none"> <li>be completed by the appraiser,</li> <li>state that the improvements were completed in accordance with the requirements and conditions in the original appraisal report, and</li> <li>be accompanied by photographs of the completed improvements.</li> </ul>												
The cost of completing improvements must not represent more than 10% of the "as												

# Agency Guideline Revisions

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			<p>completed" appraised value of the property.</p> <p>Lenders must establish a completion escrow for the postponed improvements, by withholding from the purchase proceeds funds equal to 120% of the estimated cost for completing the improvements. However, if the contractor or builder offers a guaranteed fixed-price contract for completion of the improvements, the funds in the completion escrow only need to equal the full amount of the contract price.</p> <p>Lenders and borrowers must execute an escrow agreement that states how the escrow account will be managed and how funds from the escrow account will be disbursed.</p> <p><b>SunTrust Note:</b> The lender may use the <i>Escrow Agreement for Postponed Improvements (COR 0016)</i> form or another type of escrow agreement form meeting the requirements stated above.</p> <p>The completion escrow may not adversely affect the mortgage insurance or title insurance.</p> <p>Once a certificate of completion is obtained, the lender must release the final draw from the escrow account, which should include any funds in excess of the amount needed to pay for completion of the postponed items.</p> <p>Lenders must obtain a final title report, which must not show any outstanding mechanic's liens, take any exceptions to the postponed improvements, or take any exceptions to the escrow agreement. If the final title report is issued before the completion of the improvements, lenders must obtain an endorsement to the title policy that ensures the priority of the Lender's lien.</p> <p><b>Additional SunTrust Instructions:</b></p> <ul style="list-style-type: none"> <li>Send the completed Satisfactory Completion Certificate to the Purchase Relations Specialist.</li> <li>Send the mechanic's lien waivers to the Purchase Relations Specialist.</li> <li>The correspondent lender is responsible for follow-up on all outstanding escrow agreements. If improvements are not made as agreed, SunTrust will hold the correspondent lender responsible for completing the improvements with the escrowed funds.</li> </ul> <p><b>Requirements for Existing Construction</b></p> <ul style="list-style-type: none"> <li>Lenders must review the appraisal to ensure that the property does not have minor conditions or deferred maintenance items that affect the safety, soundness, or structural integrity of the subject property.</li> <li>The tables below provide requirements related to existing properties that have physical deficiencies, minor conditions, or deferred maintenance items that may or may not affect the safety, soundness, or structural integrity of the property.</li> </ul> <div style="background-color: #003366; color: white; text-align: center; padding: 5px;"> <b>Requirements for Existing Construction When There are Minor Conditions or Deferred Maintenance Items that Do Not Affect the Safety, Soundness, or Structural Integrity of the Property</b> </div> <p>If the appraiser reports the existence of minor conditions or deferred maintenance items that do not affect the safety, soundness, or structural integrity of the property, the appraiser may complete the appraisal "as is" and these items must be reflected in</p>	<p>completed" appraised value of the property.</p> <p>Lenders must establish a completion escrow for the postponed improvements, by withholding from the purchase proceeds funds equal to 120% of the estimated cost for completing the improvements. However, if the contractor or builder offers a guaranteed fixed-price contract for completion of the improvements, the funds in the completion escrow only need to equal the full amount of the contract price.</p> <p style="background-color: yellow;">Lenders must ensure the escrow account is a custodial account that satisfies Fannie Mae's criteria for custodial accounts and depositories as outlined in Servicing Guide topic A4-1-02, Establishing Custodial Bank Accounts.</p> <p>Lenders and borrowers must execute an escrow agreement that states how the escrow account will be managed and how funds from the escrow account will be disbursed.</p> <p><b>SunTrust Note:</b> The lender may use the <i>Escrow Agreement for Postponed Improvements (COR 0016)</i> form or another type of escrow agreement form meeting the requirements stated above.</p> <p>The completion escrow may not adversely affect the mortgage insurance or title insurance.</p> <p>Once a certificate of completion is obtained, the lender must release the final draw from the escrow account, which should include any funds in excess of the amount needed to pay for completion of the postponed items.</p> <p>Lenders must obtain a final title report, which must not show any outstanding mechanic's liens, take any exceptions to the postponed improvements, or take any exceptions to the escrow agreement. 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			<p>the appraiser’s opinion of value. Minor conditions and deferred maintenance items include, but are not limited to, worn floor finishes or carpet, minor plumbing leaks, holes in window screens, or cracked window glass and are typically due to normal wear and tear. The lender is not required to ensure that the borrower has had this work completed prior to delivery of the loan to SunTrust.</p> <p>If there are minor conditions or deferred maintenance items to be remedied or completed after closing, the lender may escrow for these items at its own discretion and still deliver the loan to SunTrust prior to the release of the escrow as long as the lender can ensure that these items do not affect the safety, soundness, or structural integrity of the property.</p> <p><b>Additional SunTrust Instructions:</b> If an escrow is established for these items:</p> <ul style="list-style-type: none"> <li>• Lenders and borrowers must execute an escrow agreement that states how the escrow account will be managed and how funds from the escrow account will be disbursed.</li> <li>• Send the completed Satisfactory Completion Certificate to the Purchase Relations Specialist.</li> <li>• Send the mechanic’s lien waivers to the Purchase Relations Specialist.</li> <li>• The correspondent lender is responsible for follow-up on all outstanding escrow agreements. If improvements are not made as agreed, SunTrust will hold the correspondent lender responsible for completing the improvements with the escrowed funds.</li> </ul> <p style="text-align: center;"><b>Requirements for Existing Construction When There are Incomplete Items or Conditions that Do Affect the Safety, Soundness, or Structural Integrity of the Property</b></p> <p>When there are incomplete items or conditions that do affect the safety, soundness, or structural integrity of the property, the property must be appraised subject to completion of the specific alterations or repairs. These items can include a partially completed addition or renovation, or physical deficiencies that could affect the safety, soundness, or structural integrity of the improvements, including but not limited to, cracks or settlement in the foundation, water seepage, active roof leaks, curled or cupped roof shingles, or inadequate electrical service or plumbing fixtures. <b>In such cases, the lender must obtain a certificate of completion from the appraiser before the mortgage is delivered to SunTrust.</b> Although the original appraiser should complete any required certification of completion, the lender may use a substitute appraiser.</p> <p>The certification does not need to include photographs of the property unless those that accompanied the original appraisal report are no longer representative of the completed property.</p> <ul style="list-style-type: none"> <li>• <b>Requirements for HomeStyle Energy Improvements on Existing Construction</b> <ul style="list-style-type: none"> <li>• See the “Fannie Mae’s HomeStyle® Energy for Improvements on Existing Properties” guidelines in the “Eligible Transactions” topic for guidance.</li> </ul> </li> </ul> <p><b>Fannie Mae DU</b> Follow DU requirements, which are the same as non-AUS guidelines.</p>	<p>If the appraiser reports the existence of minor conditions or deferred maintenance items that do not affect the safety, soundness, or structural integrity of the property, the appraiser may complete the appraisal “as is” and these items must be reflected in the appraiser’s opinion of value. 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