

Office of
Mortgage Settlement
Oversight

Update on SunTrust's Compliance and Consumer Relief

A Report from the Monitor of the National Mortgage Settlement



August 10, 2017

Executive Summary

The following report is an overview of SunTrust's progress under the National Mortgage Settlement (NMS or Settlement) that includes:

- A summary of SunTrust's satisfaction of its consumer relief obligations under the NMS.
- A review of SunTrust's compliance with the Settlement's servicing standards for the second half of 2016.

I have determined that SunTrust has now completed its consumer relief obligations. As a result of my reviews, I have credited SunTrust with \$502,756,425 in total consumer relief credit to 22,327 borrowers through December 31, 2016. Consequently, this will be my final report on SunTrust's consumer relief obligations under the NMS.

I have reviewed SunTrust's internal review group's (IRG) compliance metric testing results and concluded that SunTrust did not fail any of the compliance metrics I tested for the third and fourth quarters of 2016. I rejected the test results for Metric 4 and did not test that metric.

I will continue to monitor and report on SunTrust's compliance with the servicing standards.

To evaluate SunTrust, I work with a team of professionals. SunTrust followed a work plan in which the IRG determined whether the servicer complied with the Settlement terms. My professionals and I then reviewed the work of the IRG. I determined that the IRG's work was satisfactory and reported my findings to the Court and the public. For more information about the oversight and review process, please see my [previous reports](#).

Sincerely,



Joseph A. Smith, Jr.

Consumer Relief Assertion

The Settlement requires SunTrust to provide \$500 million in relief to consumers by September 30, 2017.

Under the Settlement, mortgage loan relief to distressed borrowers must make up \$475 million of the consumer relief, and \$25 million must be part of a refinancing program to current borrowers who would not otherwise qualify for a refinance under SunTrust's generally available refinancing programs. For more details, view the Settlement agreement [here](#).

In my previous report on SunTrust's consumer relief obligations, I reported that as of June 30, 2015, SunTrust's IRG had validated credit in the amount of \$370,474,005 from consumer relief on 16,921 loans. SunTrust's IRG has now validated additional credit in the amount of \$132,282,420 from consumer relief provided to an additional 5,406 borrowers in its third and final assertion. As a result of the testing of the final assertion of consumer relief, SunTrust now has total validated credit in the amount of \$502,756,425 from 22,327 loans. The breakdown of total credit can be found in the chart to the right:

Total Claimed Credit



- **Second Lien Portfolio Modification**
31%
- **New Lending Program**
20%
- **First Lien Mortgage Modifications**
21%
- **Refinancing Program**
9%
- **Other Creditable Items**
19%

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Consumer Relief Assertion

My Primary Professional Firm (PPF), BDO Consulting, a division of BDO USA, LLP, reviewed SunTrust’s final consumer relief assertion and tested each loan in the IRG’s sample from each testing population. The difference between the amounts of credit claimed by SunTrust and the amounts calculated by BDO were within the two percent error tolerance contemplated by the Work Plan. Therefore, BDO and I determined that SunTrust’s IRG correctly validated SunTrust’s consumer relief credit amounts in the final consumer relief assertion. This table sets out a breakdown, by type of relief, of the sample testing conducted by BDO.

Testing Population	Loans Reviewed by PPF	Servicer’s Reported Credit Amount	Actual Credit Amount PPF Calculated	Amount Overstated/ (Understated)	Percentage Overstated/ (Understated)
First Lien Mortgage Modifications	138	\$21,891,042	\$21,857,657	\$33,385	0.15%
Second Lien Portfolio Modifications	224	\$3,991,699	\$3,960,828	\$30,871	0.78%
Refinancing Program	75	\$3,707,098	\$3,707,098	\$0	0.00%
Other Credits	295	\$6,603,961	\$6,593,423	\$10,538	0.16%
New Lending Program	277	\$3,095,000	\$3,069,375	\$25,625	0.83%

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BDO documented its findings in its work papers and reported them to me. After I conducted an in-depth review of both the IRG's and BDO's work papers, I found that SunTrust is entitled to the credit claimed. As a result, I have credited SunTrust with an additional \$132,282,420 toward its consumer relief obligation, bringing the total amount of credit it has earned under the Settlement to \$502,756,425. The chart below shows, by type of relief, the total amount of credit SunTrust has earned:

Type of Relief	Number of Loans	Earned Credit Amount to Date
First Lien Mortgage Modifications	689	\$105,324,919
Second Lien Portfolio Modifications	8,433	\$155,618,515
Refinancing Program	1,675	\$46,485,866
Other Creditable Items	3,856	\$95,327,125
New Lending Program	7,674	\$100,000,000
Total Consumer Relief Programs	22,327	\$502,756,425

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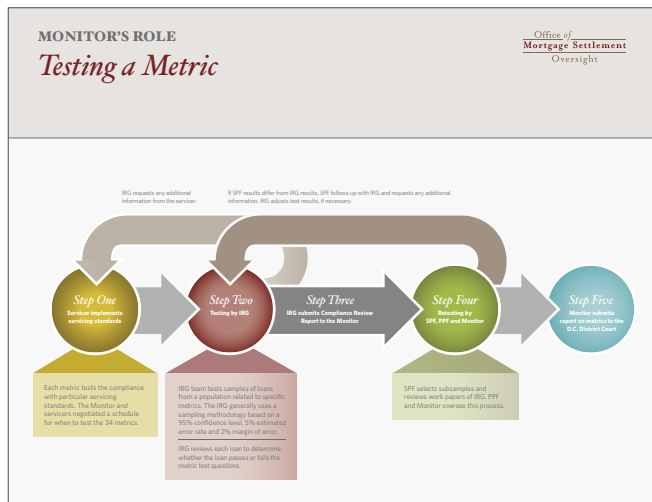
Servicing Standards Compliance

I also evaluated the SunTrust's compliance with the Settlement's servicing standards using the 34 metrics, or tests, enumerated in the Settlement. These metrics determine whether the servicers adhere to the 304 servicing standards, or rules, contained in the NMS.

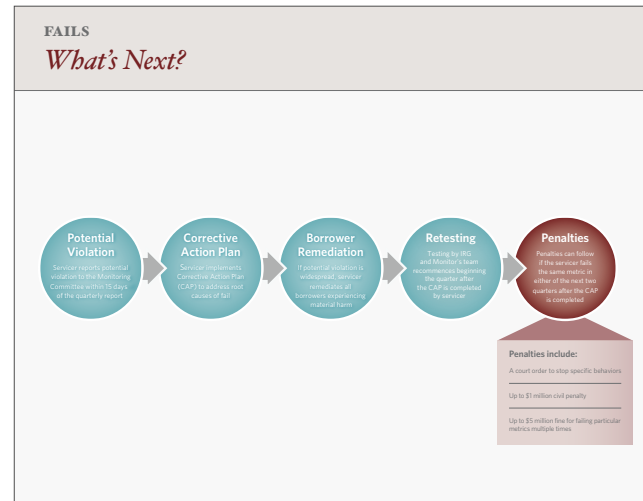
The work to test SunTrust in the third and fourth quarters of 2016 involved 30 professionals, including my primary professional firms, secondary professional firms and other professionals who dedicated approximately 15,720 hours over a six-month period.

This report covers the third and fourth quarters of 2016, and I tested SunTrust on up to 29 metrics.

The NMS defines a failed metric as a potential violation and gives the servicer a chance to fix the root causes of its failure. For more information on what happens when a servicer fails a metric, see the graphic in the Appendix. I also included information on metric fails and corrective action plans (CAPs) in my [previous reports](#).



See [Appendix i](#) for larger version



See [Appendix ii](#) for larger version

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SunTrust's IRG reported that SunTrust did not fail any of the metrics the IRG tested in the third and fourth quarters of 2016. My professionals concurred with the IRG for all of the metrics tested except Metric 4. I rejected the IRG's test results for Metric 4, which tests the accuracy of information on Proof of Claims filed in Bankruptcy Court, due to a lack of testable populations. I have amended my second and third SunTrust compliance reports to reflect non-testable populations for Metric 4 in the fourth quarter of 2015 and the first and second quarters of 2016. The reason these Proof of Claims filed by SunTrust were not testable is that SunTrust changed official Bankruptcy Form 410A (the Mortgage Proof of Claim Attachment) to provide information differently than contemplated by official Bankruptcy Form 410A. I will provide an update on Metric 4 in future reports.

SCORECARD					Office of Mortgage Settlement Oversight				
<i>SunTrust</i>									
The Monitor's Secondary Professional Firm (SPF) assigned to SunTrust, Crowe Chizek, LLP, tested the IRG's work on 29 metrics during the third and fourth quarters 2016. The chart below illustrates the results of the IRG's tests.									
METRIC NAME	METRIC NUMBER	TEST PERIOD	THRESHOLD ERROR RATE	RESULT (ERROR RATE IF FAILED)	METRIC NAME	METRIC NUMBER	TEST PERIOD	THRESHOLD ERROR RATE	RESULT (ERROR RATE IF FAILED)
Foreclosure sale in error	11(A)	03/2016	0.00%	Pass	Complaint response timeliness	8 (B)(A)	03/2016	5.00%	Pass
Incorrect modification denial	21(B)	03/2016	0.00%	Pass	Loan modification document collection timeliness compliance	19 (B)(B)	03/2016	5.00%	Pass
Affidavit of Indebtedness (AOD) preparation	3 (A)	04/2016	0.00%	Pass	Loan modification decision/ notification timeliness compliance	20 (B)(A)	03/2016	5.00%	Pass
Proof of Claim (POC)	4 (2B)	03/2016	0.00%	Test Rejected	Loan modification appeal timeliness compliance	27 (B)(B)	04/2016	5.00%	Pass
Motion for Relief from Stay (MRS) affidavits	5 (2)(C)	03/2016	0.00%	Pass	Short Sale decision timeliness compliance	22 (B)(B)(i)	03/2016	5.00%	Pass
Pre-foreclosure initiation	6 (1)(A)	04/2016	0.00%	Pass	Short Sale document collection timeliness compliance	23 (B)(A)	04/2016	5.00%	Pass
Pre-foreclosure initiation notifications	7 (3)(B)	03/2016	0.00%	Pass	Charge of application fees for fees initiated	24 (B)(A)(i)	03/2016	100%	Pass
Fee adherence to guidance	8 (4)(A)	03/2016	0.00%	Under CAP	Short Sale inclusion notice for deficiency	25 (B)(A)(ii)	03/2016	5.00%	Pass
Adherence to customer payment processing	9 (4)(B)	03/2016	0.00%	Under CAP	Dual track referred to foreclosure	26 (B)(ii)(A)	03/2016	5.00%	Pass
Reconciliation of certain waived fees	10 (4)(C)	03/2016	0.00%	Pass	Dual track failure to disburse foreclosure	27 (B)(A)(A)	03/2016	5.00%	Pass
Late fees adherence to guidance	11 (4)(D)	04/2016	0.00%	Pass	Force-placed insurance timeliness of notice	28 (C)(3)	03/2016	5.00%	Pass
Third-party vendor management	12 (4)(A)	03/2016	N/A	Pass	Force-placed insurance notification	29 (A)(A)	03/2016	5.00%	Pass
Customer portal	13 (5)(B)	03/2016	N/A	Pass	Loan modification process	30 (7)(A)	04/2016	5.00%	Pass
Single Point of Contact (SPCC)*	14 (5)(C)	04/2016	0.00%	Pass	Loan modification denial notice disclosure	31 (7)(B)	04/2016	5.00%	Pass
Workforce management	15 (5)(1)**	03/2016	N/A	X	SPCC implementation and effectiveness**	32 (7)(C)	03/2016	5.00%	Pass
Affidavit of Indebtedness (AOD) integrity	16 (5)(1)**	03/2016	N/A	X	Billing statement accuracy	33 (7)(D)	03/2016	5.00%	Pass
Account status activity	17 (5)(1)**	04/2016	N/A	X	Disclosure of Personally Identifiable Information in POC	34 (2)(3)	04/2016	3.00%	Pass

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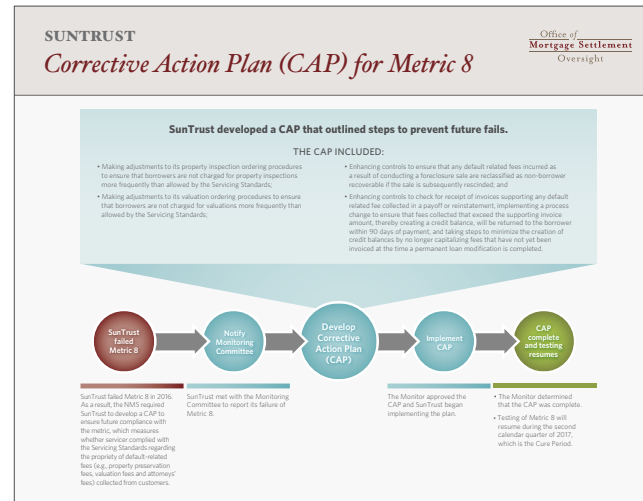
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Update on SunTrust's Corrective Actions

Metric 8

This metric tests whether SunTrust properly collected default-related fees from borrowers. Those fees include property preservation fees, valuation fees, and attorneys' fees.

I approved SunTrust's Corrective Action Plan in February 2017. My professionals and I determined that SunTrust's CAP and remediation was completed in April 2017. The cure period will be the months of May and June 2017. My professionals and I will provide an update on Metric 8 in future reports.



See **Appendix iv** for larger version

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SunTrust has completed its consumer relief obligations under the NMS. In total, SunTrust has provided more than \$500 million in consumer relief and helped more than 22,000 borrowers.

I will continue to monitor SunTrust’s compliance with the NMS Servicing Standards and will report on my review of the next two testing periods to the Court and the public later this year.

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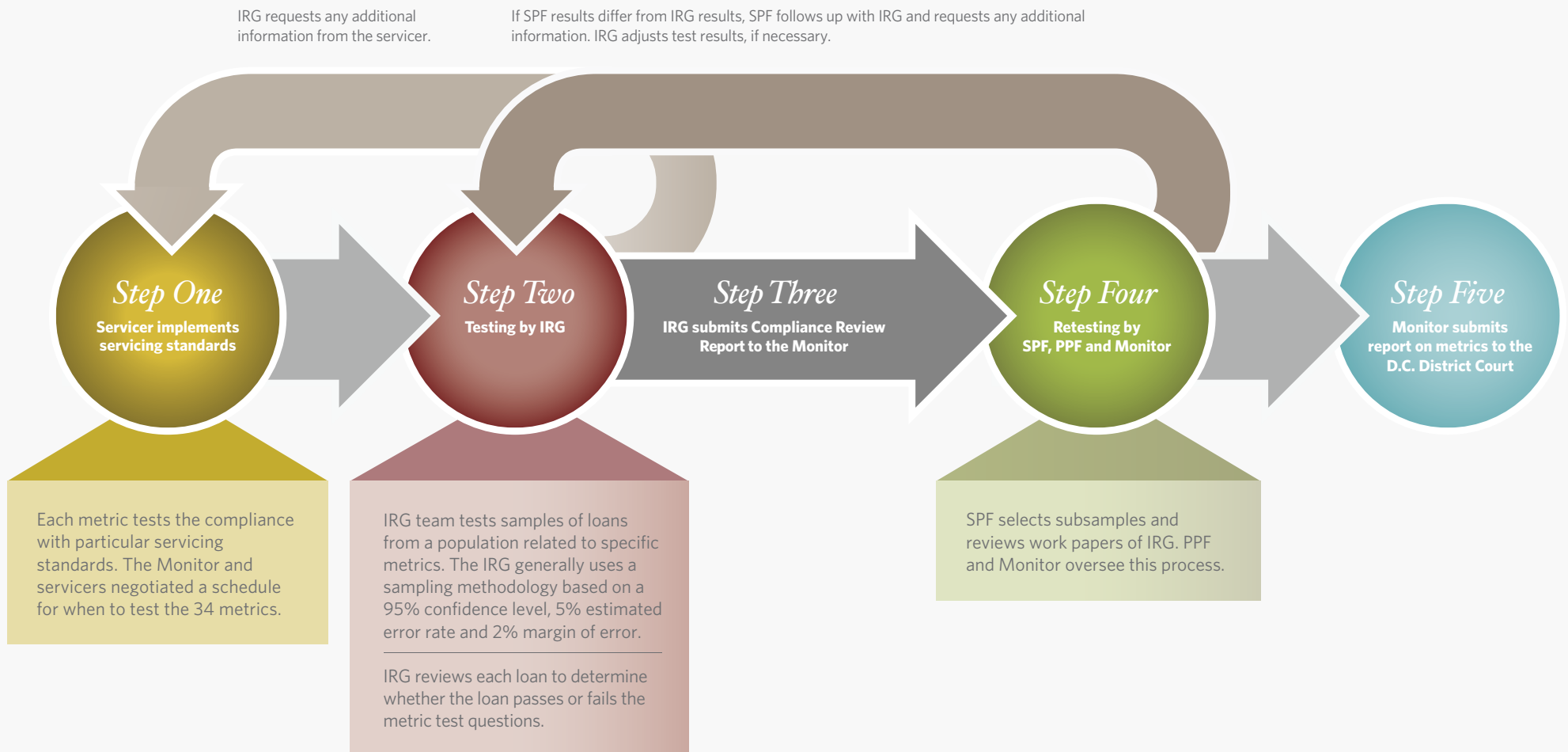
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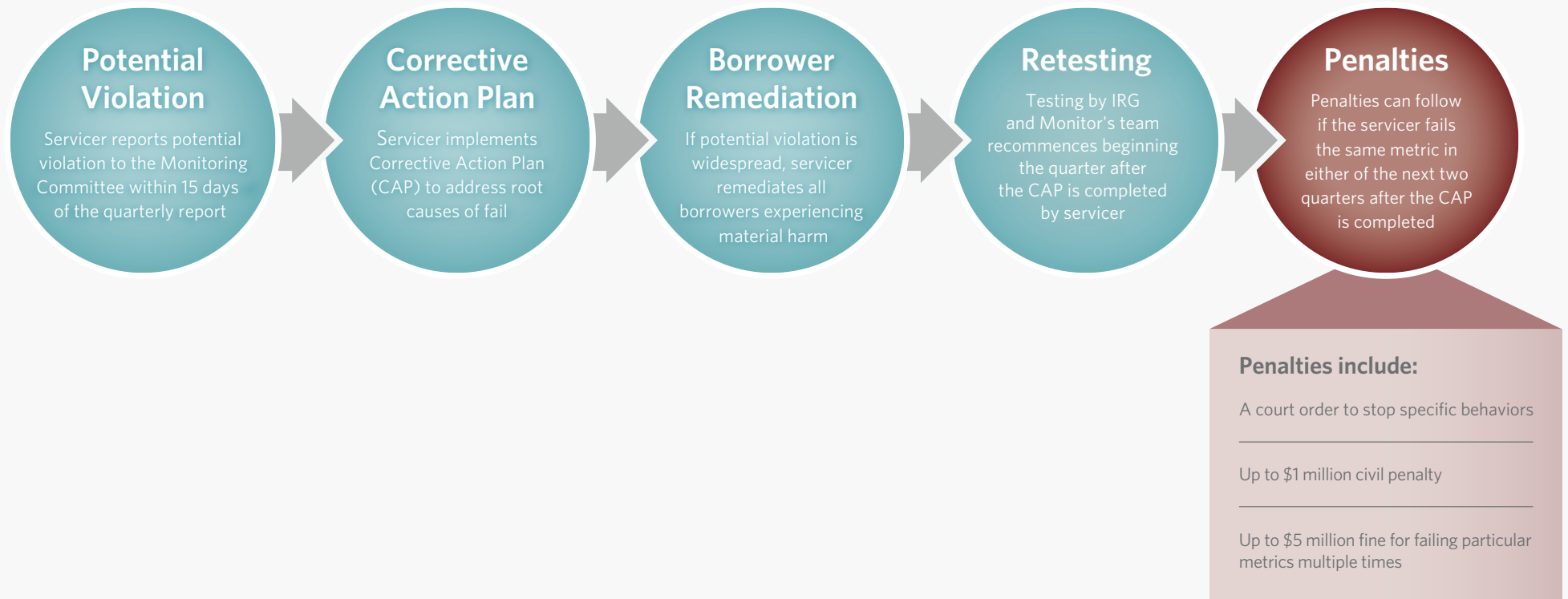
Appendix

Testing a Metric



FAILS

What's Next?



SCORECARD

SunTrust

The Monitor's Secondary Professional Firm (SPF) assigned to SunTrust, Crowe Howarth, LLP, tested the IRG's work on 29 metrics during the third and fourth quarters 2016. The chart below illustrates the results of the IRG's tests.

METRIC NAME	METRIC NUMBER	TEST PERIOD	THRESHOLD ERROR RATE	RESULT (ERROR RATE IF FAILED)	METRIC NAME	METRIC NUMBER	TEST PERIOD	THRESHOLD ERROR RATE	RESULT (ERROR RATE IF FAILED)
Foreclosure sale in error	1 (1.A)	Q3 2016	1.00%	Pass	Complaint response timeliness	18 (6.A)	Q3 2016	5.00%	Pass
		Q4 2016	1.00%	Pass			Q4 2016	5.00%	Pass
Incorrect modification denial	2 (1.B)	Q3 2016	5.00%	Pass	Loan modification document collection timeline compliance	19 (6.B.i)	Q3 2016	5.00%	Pass
		Q4 2016	5.00%	Pass			Q4 2016	5.00%	Pass
Affidavit of Indebtedness (AOI) preparation	3 (2.A)	Q3 2016	5.00%	Pass	Loan modification decision/ notification timeline compliance	20 (6.B.ii)	Q3 2016	10.00%	Pass
		Q4 2016	5.00%	Pass			Q4 2016	10.00%	Pass
Proof of Claim (POC)	4 (2.B)	Q3 2016	5.00%	Test Rejected	Loan modification appeal timeline compliance	21 (6.B.iii)	Q3 2016	10.00%	Pass
		Q4 2016	5.00%	Test Rejected			Q4 2016	10.00%	Pass
Motion for Relief from Stay (MRS) affidavits	5 (2.C)	Q3 2016	5.00%	Pass	Short Sale decision timeline compliance	22 (6.B.iv)	Q3 2016	10.00%	Pass
		Q4 2016	5.00%	Pass			Q4 2016	10.00%	Pass
Pre-foreclosure initiation	6 (3.A)	Q3 2016	5.00%	Pass	Short Sale document collection timeline compliance	23 (6.B.v)	Q3 2016	5.00%	Pass
		Q4 2016	5.00%	Pass			Q4 2016	5.00%	Pass
Pre-foreclosure initiation notifications	7 (3.B)	Q3 2016	5.00%	Pass	Charge of application fees for loss mitigation	24 (6.B.vi)	Q3 2016	1.00%	Pass
		Q4 2016	5.00%	Pass			Q4 2016	1.00%	Pass
Fee adherence to guidance	8 (4.A)	Q3 2016	5.00%	Under CAP	Short Sale inclusion notice for deficiency	25 (6.B.vii.a)	Q3 2016	5.00%	Pass
		Q4 2016	5.00%	Under CAP			Q4 2016	5.00%	Pass
Adherence to customer payment processing	9 (4.B)	Q3 2016	5.00%	Pass	Dual track referred to foreclosure	26 (6.B.viii.a)	Q3 2016	5.00%	Pass
		Q4 2016	5.00%	Pass			Q4 2016	5.00%	Pass
Reconciliation of certain waived fees	10 (4.C)	Q3 2016	5.00%	Pass	Dual track failure to postpone foreclosure	27 (6.B.viii.b)	Q3 2016	5.00%	Pass
		Q4 2016	5.00%	Pass			Q4 2016	5.00%	Pass
Late fees adherence to guidance	11 (4.D)	Q3 2016	5.00%	Pass	Force-placed insurance timeliness of notices	28 (6.C.i)	Q3 2016	5.00%	Pass
		Q4 2016	5.00%	Pass			Q4 2016	5.00%	Pass
Third-party vendor management	12 (5.A)	Q3 2016	N/A	Pass	Force-placed insurance termination	29 (6.C.ii)	Q3 2016	5.00%	Pass
		Q4 2016	N/A	Pass			Q4 2016	5.00%	Pass
Customer portal	13 (5.B)	Q3 2016	N/A	Pass	Loan modification process	30 (7.A)	Q3 2016	5.00%	Pass
		Q4 2016	N/A	Pass			Q4 2016	5.00%	Pass
Single Point of Contact (SPOC)*	14 (5.C)	Q3 2016	5.00%	Pass	Loan modification denial notice disclosure	31 (7.B)	Q3 2016	5.00%	Pass
		Q4 2016	5.00%	Pass			Q4 2016	5.00%	Pass
Workforce management	15 (5.D) **	Q3 2016	N/A	X	SPOC implementation and effectiveness***	32 (7.C)	Q3 2016	5.00%	Pass
		Q4 2016	N/A	X			Q4 2016	5.00%	Pass
Affidavit of Indebtedness (AOI) integrity	16 (5.E) **	Q3 2016	N/A	X	Billing statement accuracy	33 (7.D)	Q3 2016	5.00%	Pass
		Q4 2016	N/A	X			Q4 2016	5.00%	Pass
Account status activity	17 (5.F) **	Q3 2016	N/A	X	Disclosure of Personally Identifiable Information in POC	34 (2.D)	Q3 2016	3.50%	Pass
		Q4 2016	N/A	X			Q4 2016	3.50%	Pass

* Test question 4 only. ** Policy and procedure metric that is tested once a year. *** Test Question 1 only. N/A: Threshold error rate not applicable. X: Metric was not tested in that specific test period.

Under CAP: Metric was not tested in that specific test period since it was under CAP. Test Rejected: I determined that Servicer did not have testable populations of Proofs of Claim for the third and fourth calendar quarters of 2016.

Corrective Action Plan (CAP) for Metric 8

SunTrust developed a CAP that outlined steps to prevent future fails.

THE CAP INCLUDED:

- Making adjustments to its property inspection ordering procedures to ensure that borrowers are not charged for property inspections more frequently than allowed by the Servicing Standards;
- Making adjustments to its valuation ordering procedures to ensure that borrowers are not charged for valuations more frequently than allowed by the Servicing Standards;
- Enhancing controls to ensure that any default related fees incurred as a result of conducting a foreclosure sale are reclassified as non-borrower recoverable if the sale is subsequently rescinded; and
- Enhancing controls to check for receipt of invoices supporting any default related fee collected in a payoff or reinstatement, implementing a process change to ensure that fees collected that exceed the supporting invoice amount, thereby creating a credit balance, will be returned to the borrower within 90 days of payment, and taking steps to minimize the creation of credit balances by no longer capitalizing fees that have not yet been invoiced at the time a permanent loan modification is completed.



SunTrust failed Metric 8 in 2016. As a result, the NMS required SunTrust to develop a CAP to ensure future compliance with the metric, which measures whether servicer complied with the Servicing Standards regarding the propriety of default-related fees (e.g., property preservation fees, valuation fees and attorneys' fees) collected from customers.

SunTrust met with the Monitoring Committee to report its failure of Metric 8.

The Monitor approved the CAP and SunTrust began implementing the plan.

- The Monitor determined that the CAP was complete.
- Testing of Metric 8 will resume during the second calendar quarter of 2017, which is the Cure Period.