

Office of  
Mortgage Settlement  
Oversight

*Update on SunTrust's  
Compliance*



December 13, 2017

# Executive Summary

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

This report includes a review of SunTrust's compliance with the Settlement's servicing standards for the first half of 2017.

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 have also determined, based on further work that I required SunTrust to undertake, that SunTrust failed Metric 4 in each of the four quarters of 2016.

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,



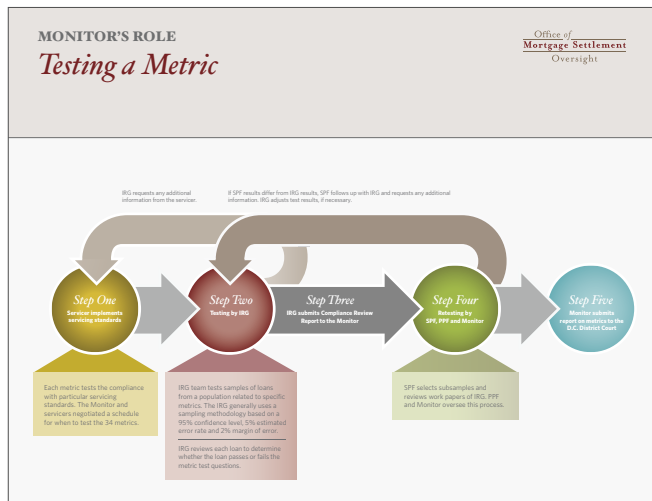
Joseph A. Smith, Jr.



# Servicing Standards Compliance

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

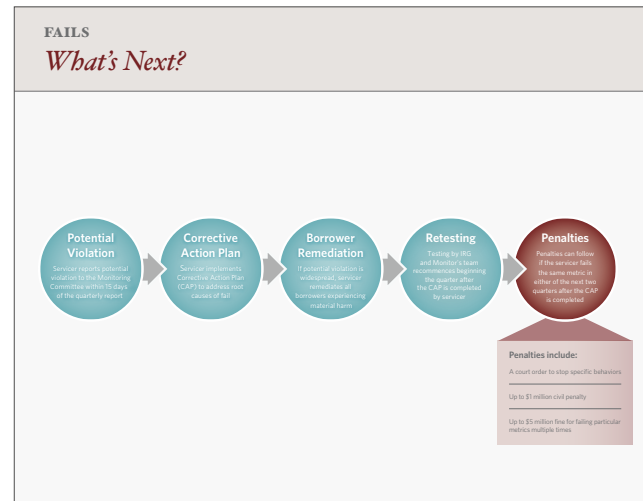
The work to test SunTrust in the first and second quarters of 2017 involved 37 professionals, including my primary professional firm, secondary professional firm and other professionals who dedicated approximately 15,495 hours.



See **Appendix i** for larger version

This report covers the first and second quarters of 2017, and I tested SunTrust on all 34 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 Appendix ii. I also included information on metric fails and corrective action plans (CAPs) in my **previous reports**.



See **Appendix ii** for larger version

# SunTrust Results

Neither SunTrust's IRG nor my professionals found evidence of fails for any of the metrics tested in the first and second quarters of 2017.

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The Monitor's Secondary Professional Firm (SPF) assigned to SunTrust, Crowe Howarth, LLP, tested the IRG's work on 34 metrics during the first and second quarters 2017. 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)	Q1 2017	1.00%	Pass	Complaint response timeliness	18 (6.A)	Q1 2017	5.00%	Pass
		Q2 2017	1.00%	Pass			Q2 2017	5.00%	Pass
Incorrect modification denial	2 (1.B)	Q1 2017	5.00%	Pass	Loan modification document collection timeline compliance	19 (6.B.i)	Q1 2017	5.00%	Pass
		Q2 2017	5.00%	Pass			Q2 2017	5.00%	Pass
Affidavit of Indebtedness (AOI) preparation	3 (2.A) *	Q1 2017	5.00% Pass/Fail	Pass	Loan modification decision/ notification timeline compliance	20 (6.B.ii)	Q1 2017	10.00%	Pass
		Q2 2017	5.00% Pass/Fail	Pass			Q2 2017	10.00%	Pass
Proof of Claim (POC)	4 (2.B)	Q1 2017	5.00%	Under CAP	Loan modification appeal timeline compliance	21 (6.B.iii)	Q1 2017	10.00%	Pass
		Q2 2017	5.00%	Pass			Q2 2017	10.00%	Pass
Motion for Relief from Stay (MRS) affidavits	5 (2.C)	Q1 2017	5.00%	Pass	Short Sale decision timeline compliance	22 (6.B.iv)	Q1 2017	10.00%	Pass
		Q2 2017	5.00%	Pass			Q2 2017	10.00%	Pass
Pre-foreclosure initiation	6 (3.A)	Q1 2017	5.00%	Pass	Short Sale document collection timeline compliance	23 (6.B.v)	Q1 2017	5.00%	Pass
		Q2 2017	5.00%	Pass			Q2 2017	5.00%	Pass
Pre-foreclosure initiation notifications	7 (3.B)	Q1 2017	5.00%	Pass	Charge of application fees for loss mitigation	24 (6.B.vi)	Q1 2017	1.00%	Pass
		Q2 2017	5.00%	Pass			Q2 2017	1.00%	Pass
Fee adherence to guidance	8 (4.A)	Q1 2017	5.00%	Under CAP	Short Sale inclusion notice for deficiency	25 (6.B.vii.a)	Q1 2017	5.00%	Pass
		Q2 2017	5.00%	Pass			Q2 2017	5.00%	Pass
Adherence to customer payment processing	9 (4.B)	Q1 2017	5.00%	Pass	Dual track referred to foreclosure	26 (6.B.viii.a)	Q1 2017	5.00%	Pass
		Q2 2017	5.00%	Pass			Q2 2017	5.00%	Pass
Reconciliation of certain waived fees	10 (4.C)	Q1 2017	5.00%	Pass	Dual track failure to postpone foreclosure	27 (6.B.viii.b)	Q1 2017	5.00%	Pass
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Late fees adherence to guidance	11 (4.D)	Q1 2017	5.00%	Pass	Force-placed insurance timeliness of notices	28 (6.C.i)	Q1 2017	5.00%	Pass
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Third-party vendor management	12 (5.A) **	Q1 2017	Pass/Fail	Pass	Force-placed insurance termination	29 (6.C.ii)	Q1 2017	5.00%	Pass
		Q2 2017	Pass/Fail	Pass			Q2 2017	5.00%	Pass
Customer portal	13 (5.B) **	Q1 2017	Pass/Fail	Pass	Loan modification process	30 (7.A)	Q1 2017	5.00%	Pass
		Q2 2017	Pass/Fail	Pass			Q2 2017	5.00%	Pass
Single Point of Contact (SPOC)*	14 (5.C) ***	Q1 2017	5.00% Pass/Fail	Pass	Loan modification denial notice disclosure	31 (7.B)	Q1 2017	5.00%	Pass
		Q2 2017	5.00% Pass/Fail	Pass			Q2 2017	5.00%	Pass
Workforce management	15 (5.D) ****	Q1 2017	Pass/Fail	Pass	SPOC implementation and effectiveness***	32 (7.C) *****	Q1 2017	5.00% Pass/Fail	Pass
		Q2 2017	Pass/Fail	Not Tested			Q2 2017	5.00% Pass/Fail	Pass
Affidavit of Indebtedness (AOI) integrity	16 (5.E) ****	Q1 2017	Pass/Fail	Pass	Billing statement accuracy	33 (7.D)	Q1 2017	5.00%	Pass
		Q2 2017	Pass/Fail	Not Tested			Q2 2017	5.00%	Pass
Account status activity	17 (5.F) ****	Q1 2017	Pass/Fail	Pass	Disclosure of Personally Identifiable Information in POC	34 (2.D)	Q1 2017	3.50%	Pass
		Q2 2017	Pass/Fail	Not Tested			Q2 2017	3.50%	Pass

\*Indicates a Metric with two questions, one of which is tested on an overall yes/no basis (i.e., not on a loan-level basis). \*\*Indicates a P&P Metric that is tested quarterly on an overall yes/no basis. \*\*\*Indicates a Metric with four questions, three of which are tested quarterly on an overall yes/no basis. \*\*\*\*Indicates a P&P Metric that is required to be tested only annually on an overall yes/no basis. \*\*\*\*\*Indicates a Metric with three questions, two of which are tested quarterly on an overall yes/no basis. <sup>1</sup>Test Question 4 only. <sup>2</sup>Test Question 1 only. <sup>3</sup>Test Question 4 only. <sup>4</sup>Test Question 1 only.

Appendix **iii**

See **Appendix iii** for larger version

# Update on SunTrust's Corrective Actions

## **Metric 4**

This metric tests the accuracy of information on Proof of Claims (POCs) filed in Bankruptcy Court. As I noted in my prior report, I rejected SunTrust's test results for Metric 4 in the fourth quarter of 2015 and all four quarters of 2016 because SunTrust had changed official Bankruptcy Form 410A (the Mortgage Proof of Claim Attachment) to provide information differently than contemplated by the official form.

I required SunTrust to perform an analysis of all POCs filed from December 2015 through January 2017 to correct the Form 410A and determine whether there were differences in the original incorrectly prepared form and the corrected form. The results of this analysis showed that SunTrust had exceeded the Threshold Error Rate for Metric 4 in all four calendar quarters of 2016, and that the failure was widespread in each of those quarters.

SunTrust submitted its proposed Corrective Action Plan (CAP) in September 2017. My professionals and I reviewed and I approved SunTrust's CAP. I also determined that SunTrust had satisfactorily implemented the CAP as of April 1, 2017. Testing resumed during Q2 2017, which was the cure period. SunTrust reported and I confirmed that servicer passed Metric 4 during the cure period.

### *Remediation*

Because the failure was widespread, I required SunTrust to identify and remediate all potential borrower harm. SunTrust filed amended POCs in all active bankruptcies where the errors on the original, incorrectly prepared forms were greater than one dollar. In addition, SunTrust identified all borrowers for whom SunTrust had collected more than the borrower actually owed based on the corrected forms and SunTrust made refunds to the appropriate parties.

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Finally, for those borrowers who were no longer active in bankruptcy, I required SunTrust to mail letters to the borrowers and the bankruptcy Trustees informing them of the errors in the original forms and providing the borrowers the opportunity to contact SunTrust if the borrower suffered any damage as a result of the errors.

SunTrust is continuing to implement aspects of the remediation plan related to this metric. I expect SunTrust to complete the plan soon, and I will report on SunTrust's progress in future reports.

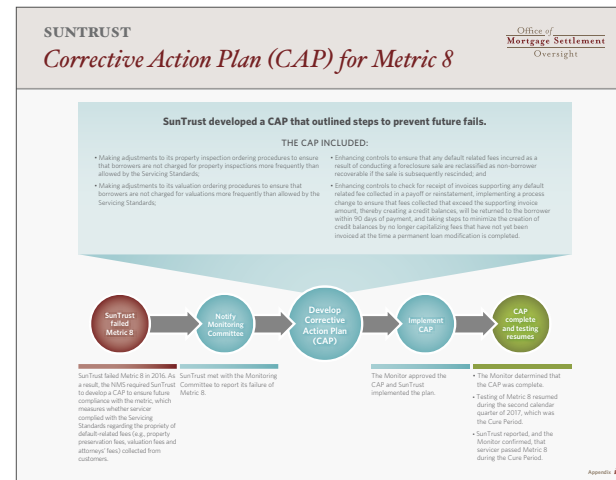
## Metric 8

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 reviewed and determined SunTrust's CAP and remediation was completed in April 2017. SunTrust reported and I confirmed the servicer passed Metric 8 during the cure period, which was the second quarter of 2017.



See **Appendix iv** for larger version



See **Appendix v** for larger version

# Conclusion

SunTrust continues to make progress under the NMS. I will continue to monitor SunTrust's compliance with the Servicing Standards and will report on my review of the next two testing periods to the Court and the public early in 2018.

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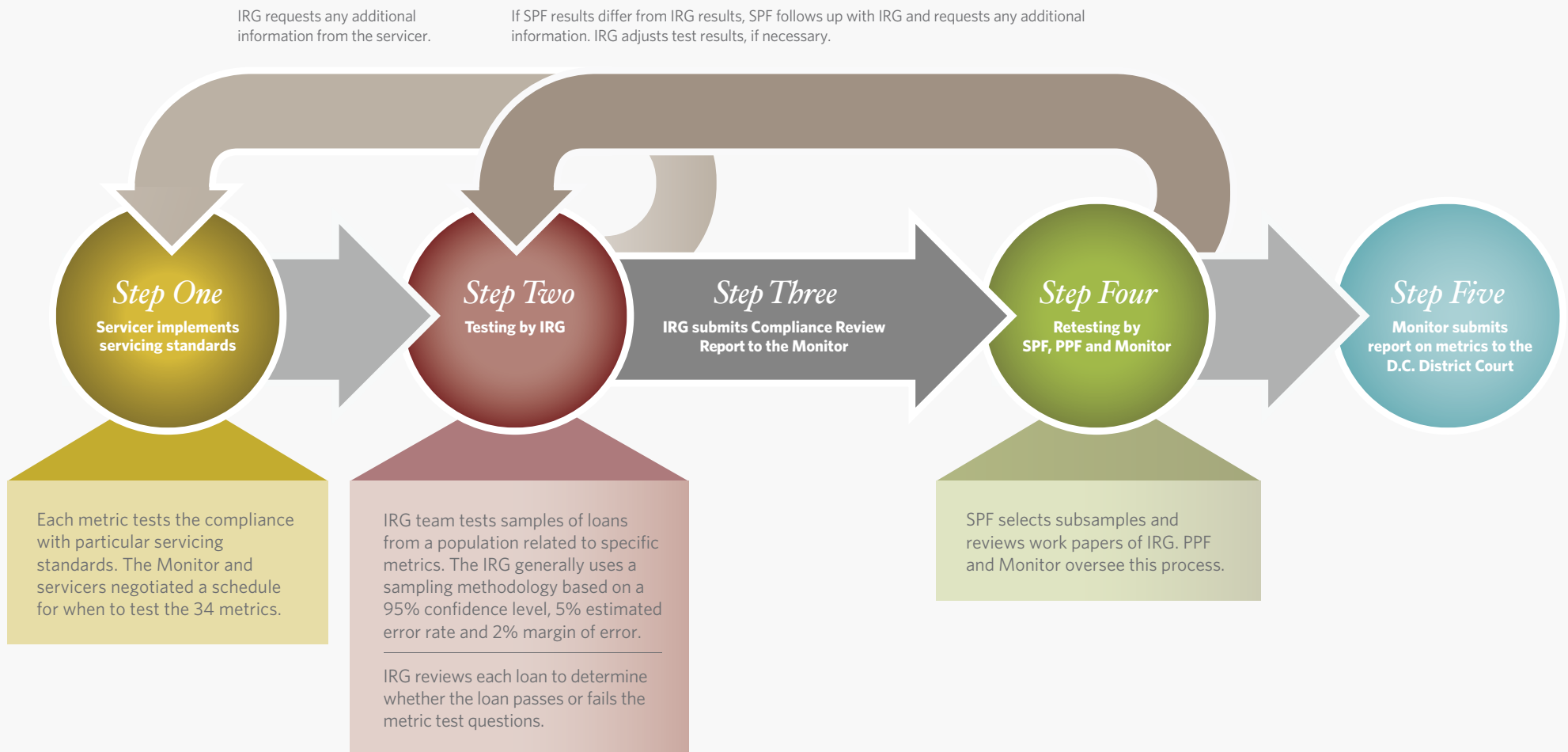
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**Conclusion**

# *Appendix*

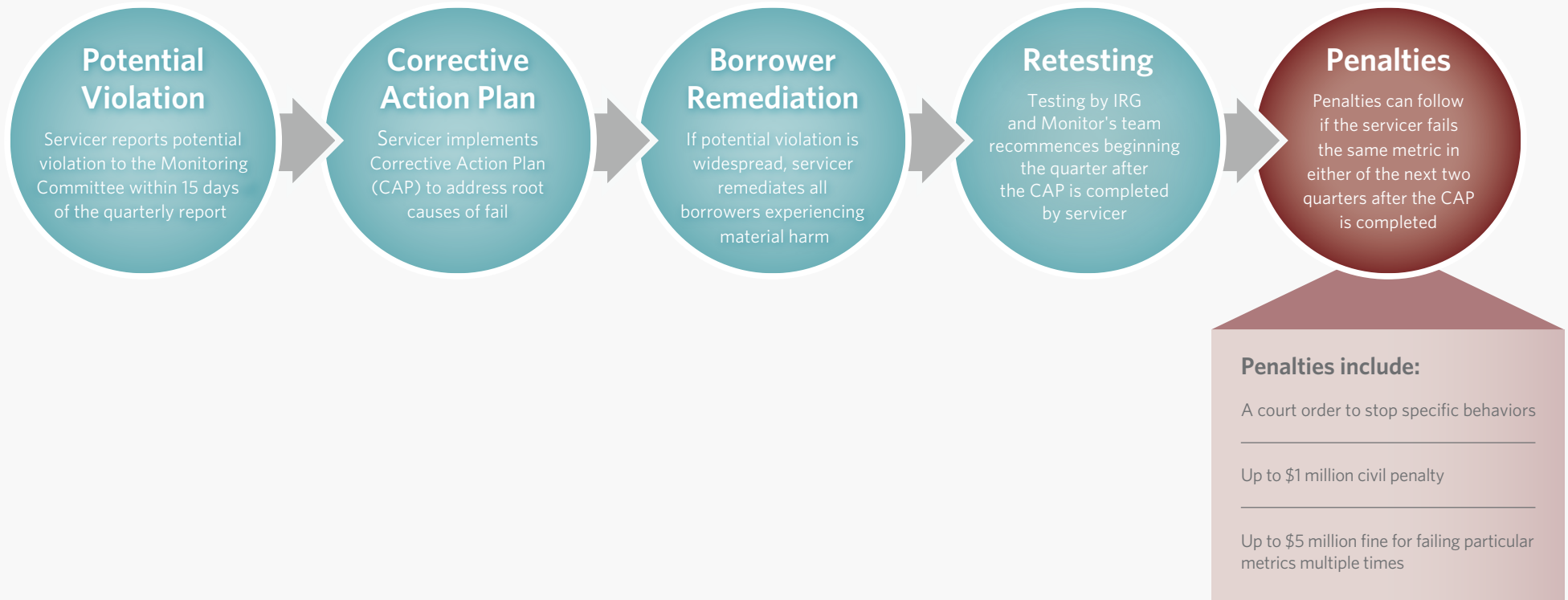


# Testing a Metric



# FAILS

## What's Next?



# SCORECARD

## SunTrust

The Monitor's Secondary Professional Firm (SPF) assigned to SunTrust, Crowe Horwarth, LLP, tested the IRG's work on 34 metrics during the first and second quarters 2017. The chart below illustrates the results of the IRG's tests.

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# Corrective Action Plan (CAP) for Metric 4

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

**THE CAP INCLUDED:**

- Stopping Servicer’s practice of changing the Form 410A to present information in a format different than required by the Form;
- Implementing a manual process to accurately determine the amount of the escrow shortage and the escrow deficiency for funds advanced that are included on the Form 410A; and
- Revising procedures to ensure that any prepetition fees claimed on the POC are fees that are coded as recoverable from the borrower in the SOR as of the bankruptcy filing date.



SunTrust failed Metric 4 in 2016. As a result, the NMS required SunTrust to develop a CAP to ensure future compliance with the metric, which tests the accuracy of the amounts the servicer claims are due from borrowers in POCs it files in bankruptcy proceedings.

SunTrust met with the Monitoring Committee to report its failure of Metric 4.

The Monitor approved the CAP and SunTrust implemented the plan.

- The Monitor determined that the CAP was complete.
- Testing of Metric 4 resumed during the second calendar quarter of 2017, which was the Cure Period.
- SunTrust reported, and the Monitor confirmed, that servicer passed Metric 4 during the Cure Period.

# 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 implemented the plan.

- The Monitor determined that the CAP was complete.
- Testing of Metric 8 resumed during the second calendar quarter of 2017, which was the Cure Period.
- SunTrust reported, and the Monitor confirmed, that servicer passed Metric 8 during the Cure Period.