

Consent Order Response – Mortgage Electronic
Registration System (MERS) (Section 10)

Consent Order Response

Mortgage Electronic Registration System (MERS)

(Consent Order Section 10)

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1. Mortgage Electronic Registration System

1.1 Overview

About SunTrust and SunTrust Mortgage

SunTrust Banks, Inc., headquartered in Atlanta, GA, is one of the nation's largest banking organizations, serving a broad range of consumer, commercial, corporate and institutional clients. As of March 31, 2011, SunTrust had total assets of \$170.8 billion and total deposits of \$124.0 billion. SunTrust Mortgage, Inc., headquartered in Richmond, VA, ranks as the eighth largest servicer in the mortgage industry with 1.5% of the residential mortgage loan servicing market share, and services approximately 950,000 loans of which 94% are current. SunTrust Mortgage is licensed to operate in 49 states (excluding Hawaii).

The SunTrust Mortgage Program

During the early stages of the economic crisis, SunTrust recognized that the mortgage industry in general, and SunTrust Mortgage in particular, was facing unprecedented challenges. This was further evidenced by historical levels of delinquencies, loss mitigation and foreclosure activity. These challenges required significant changes in business practices, controls, infrastructure, existing processes, products and systems, resulting in significant redesign and enhancement to meet the demands of the changing environment.

As a result, since 2007, SunTrust has aggressively been adding staff, developing enhanced processes, improving controls, and investing in systems and reporting capabilities across all areas of the mortgage business. This work is collectively referred to as “The Mortgage Program,” and it continues today with significant investments that are providing improved levels of service to our clients and the assurance of quality execution and delivery. The focus of The Mortgage Program can be broadly categorized into three areas: Strategy and Leadership, Originations, and Servicing and Default.

Strategy and Leadership

The purpose of our Strategy and Leadership efforts is to redefine the strategic vision for the mortgage company and instill a culture of quality throughout the organization. We have engaged an independent third party to assist us in the definition of our strategic vision and to confirm our actions are aligned with the direction of the mortgage industry. Through this initiative, we are committed to improving all aspects of the mortgage company including our people, our processes and our technology.

A significant milestone in this effort began with an organizational restructuring that was announced on April 1, 2010. We created a new Consumer Banking organization reporting to [REDACTED] a Corporate Executive Vice President and now Head of Consumer Banking. The Consumer Banking structure includes our mortgage business as well as credit card, consumer lending and branch banking businesses. All of the origination, underwriting, servicing and operations for the lending areas within Consumer Banking, including our mortgage business, now report to [REDACTED]. Additionally, all of the risk functions that were part of SunTrust Mortgage are now part of the Consumer Banking organization. Further, we have added significant resources to the Credit, Operational Risk, Compliance and Modeling and Analytics teams that support our mortgage business. Another key advantage of this new organizational structure is that risk, underwriting and other key operational areas are managed independently of the sales and production area.

In addition to [REDACTED] appointment, in April 2011, Jerome Lienhard was named as the President and Chief Executive Officer of SunTrust Mortgage, Inc. Mr. Lienhard is a seasoned banking veteran with extensive experience in the mortgage industry. Mr. Lienhard is currently conducting an internal

management assessment, within SunTrust Mortgage, to identify the appropriate leaders necessary to enact the desired cultural change. This assessment is informed by the work previously performed by an independent third party regarding the organizational structure of the mortgage company.

Originations

Over the past eighteen months, SunTrust and SunTrust Mortgage have made significant investments in the areas of mortgage originations and fulfillment to stabilize the environment and define the strategy for the future. In the third quarter of 2009, SunTrust launched a foundational mortgage origination and fulfillment transformation program called [REDACTED] ([REDACTED]). [REDACTED] defines a new, industrialized future state originations process that positions SunTrust to successfully compete in the evolving mortgage originations environment. [REDACTED] represents a fundamental cultural shift from a distributed, disparate, manual originations process to a standardized, centralized, automated process. The result is a strategic initiative that will deliver faster, more predictable results at a lower cost, improve loan quality and investor relationships, and provide better quality service for our clients, teammates and partners.

Servicing and Default

Beginning in 2007, in response to deteriorating economic conditions and the historically unprecedented stress in the mortgage portfolio, SunTrust launched a large-scale transformational program focused on applying a more disciplined approach to default management. This transformational program is known as the Default Program. The Default Program defined a common vision for default management across our consumer loan products and centralized the organization. This single default organization comprises all default activities, including Collections, a greatly enhanced Loss Mitigation function, Foreclosure, Bankruptcy, REO Management, Recovery, the newly created analytics group (Default Operations, Reporting and Strategy – DORS) and the Default Operational Risk and Compliance team.

Within the Default Program, an important project we have underway is the implementation of enhanced processes supported by the [REDACTED] workflow system as our end-to-end default management solution. The new solution is intended to improve the efficiency of handoffs between collections, loss mitigation and foreclosure, enhance loss mitigation eligibility and the decision process, and enable SunTrust to more rapidly adjust to changes in the regulatory environment. The [REDACTED] project began in late 2008 and to date we have invested more than [REDACTED] to customize and install the system. We have applied a phased approach to the installation, with our own portfolio converted in July 2010, which accounted for 15% of loans serviced, and the Fannie Mae and Freddie Mac portfolios converted in October 2010, which accounts for another 70% of loans serviced. The remainder of the servicing portfolio, which includes FHA, VA and private investors, is scheduled for conversion during the fourth quarter of 2011. Work continues with this system to implement various enhancements, as well as modifications necessary to comply with the new single point of contact requirements.

The SunTrust Consent Order Response Program

SunTrust's Consent Order became effective on April 13, 2011. In anticipation of the Order, SunTrust created a formal program organization, comprised of individual working teams for each section of the Consent Order, to respond to the concerns and actions cited in the Order. A senior executive from SunTrust was designated as the sponsor for each working team and another executive was identified as the program lead for each working team. The overall program sponsor is [REDACTED] Corporate Executive Vice President and Head of Consumer Banking. The program executive manager and day-to-day supervisor is [REDACTED] Senior Vice President, Consumer Banking Administration. Both have significant experience in leading large, transformational programs. Not including the independent third parties engaged to perform the Risk

Assessment and Foreclosure Review, more than fifty dedicated resources have been focused on the Consent Order.

SunTrust's Consent Order response program is supported by a formal governance structure, including a Steering Committee comprised of the Chief Risk Officer, Head of Consumer Banking, President and CEO of the Mortgage Company, Chief Legal Counsel and Corporate Compliance Officer. The Steering Committee meets on a weekly basis to review the status of the program, provide direction to the individual work teams and address any escalated issues or risks. The General Auditor of SunTrust also attends these meetings. In addition to the Steering Committee, the program is supported by a Program Management Office (PMO), which facilitates a weekly cross-work team meeting to share program direction and feedback from the Steering Committee or Federal Reserve Bank, manage dependencies between working teams, discuss common issues and risks, and confirm adherence to program operating principles and processes. Finally, each of the working teams is supported by a full-time project manager who is responsible for facilitating working team meetings, at minimum, on a weekly basis. The working team project managers are required to submit weekly progress reports and maintain a high-level project plan for both the Consent Order response and their defined action plan to remediate any identified gaps.

1.2 Work Stream Overview

SunTrust Mortgage (STM) utilizes the Mortgage Electronic Registration System (MERS) to register ownership rights of mortgage liens. Such registrations allow for electronic tracking of ownership for beneficiary and servicing rights.

1.3 Background

After the Interagency Targeted Examination of Foreclosure Practice within STM ("Foreclosure Review"), the Federal Reserve Bank of Atlanta ("Reserve Bank") issued a letter to SunTrust on January 19, 2011 [REDACTED]. [REDACTED] SunTrust responded to the Foreclosure Review letter on March 31, 2011 with an action plan to address the MERS MRIA.

As a result of the MRIA, STM developed an action plan and the Corporate MERS team (within the Servicing division) assumed responsibility for executing the committed plan items. The plan included remediation activities for each of the key findings above. The Corporate MERS team communicated progress updates at least monthly to management. On April 13, 2011 the Consent Order related to the Foreclosure Review was issued and contained a section on MERS. As of April 20, 2011 more than 90% of the action plan resulting from the Foreclosure Review letter and related MRIA were complete. The overlap between the Foreclosure Review MRIA and the Consent Order is addressed in Section 1.5. Accomplishments to date are included within Section 1.6.

1.4 Consent Order

Section 10 of Consent Order. Within 60 days of this Order, the Bank and SunTrust Mortgage shall submit an acceptable plan to ensure appropriate controls and oversight of SunTrust Mortgage's activities with respect to the Mortgage Electronic Registration System and compliance with MERS' membership rules, terms, and conditions ("MERS Requirements") ("MERS Plan"). The MERS Plan shall include, at a minimum:

- a) processes to ensure that all mortgage assignments and endorsements with respect to mortgage loans serviced or owned by SunTrust Mortgage out of MERS' name are executed only by a Signing Officer authorized by MERS and approved by SunTrust Mortgage;
- b) processes to ensure that all other actions that may be taken by MERS Signing Officers (with respect to mortgage loans serviced or owned by SunTrust Mortgage) are executed by a Signing Officer authorized by MERS and approved by SunTrust Mortgage;
- c) processes to ensure that SunTrust Mortgage maintain up-to-date corporate resolutions from MERS for all SunTrust Mortgage employees and third-parties who are Signing Officers authorized by MERS, and up-to-date lists of MERS Signing Officers;
- d) processes to ensure compliance with all MERS Requirements and with the requirements of the MERS Corporate Resolution Management System;
- e) processes to ensure the accuracy and reliability of data reported to MERS, including monthly system-to-system reconciliations for all MERS mandatory reporting fields, and daily capture of all rejects/warnings reports associated with registrations, transfers, and status updates on open-item aging reports. Unresolved items must be maintained on open-item aging reports and tracked until resolution. SunTrust Mortgage shall determine and report whether the foreclosures for loans serviced by SunTrust Mortgage that are currently pending in MERS' name are accurate and how many are listed in error, and describe how and by when the data on the MERS system will be corrected;
- f) an appropriate MERS quality assurance workplan, which clearly describes all tests, test frequency, sampling methods, responsible parties, and the expected process for open-item follow-up, and includes an annual independent test of the control structure of the system-to-system reconciliation process, the reject/warning error correction process, and adherence to the MERS Plan; and
- g) inclusion of MERS in SunTrust Mortgage's third-party vendor management process, which shall include a detailed analysis of potential vulnerabilities, including information security, business continuity, and vendor viability assessments

1.5 Approach

In response to the Consent Order, STM established a core working team. This team consisted of the following teammates representing the respective areas:

- ██████████ Quality Assurance and Life of Loan Data Reconciliation
- ██████████ Signing Officers and CRMS
- ██████████ Foreclosure Assignments
- ██████████ Manager, Collateral Management
- ██████████ SVP, Servicing and Operations

The working team reviewed the Consent Order and identified the areas already addressed as part of the Foreclosure Review MRIA. The team reviewed the deliverables that were created for the Foreclosure Review MRIA to ensure the final outcomes addressed the spirit and intent of the Consent Order directives.

The team also identified items that were unique to the Consent Order and needed to be addressed above and beyond the Foreclosure Review MRIA. Each manager analyzed the gaps relevant to his or her specific

functional responsibility, and developed an action plan for closing such gaps. These action plans were rolled up into an overall program structure to ensure alignment across multiple overlapping tracks of effort and shared resources.

The team also worked collaboratively with its internal business partners to develop additional action plans specifically for requirement 10(d) of the Consent Order. Requirement 10(d) was unique to the Consent Order (not included in the MRIA) and warranted a full analysis to ensure compliance. The team first identified the functional areas responsible for complying with the MERS Membership Rules. The functional managers for such areas reviewed the applicable MERS Membership Rules, and identified any gaps preventing full compliance with the Rules. The functional managers and the core team then collaborated on function-specific action plans to resolve these gaps. These action plans will be tracked as part of STM's ongoing effort to ensure 100% compliance with the spirit and intent of the Consent Order for MERS. For further details on the MERS Approach, please refer to the Appendix.

1.6 Accomplishments to Date

Signing Officers

The core team implemented new controls to ensure the proper execution of all mortgage assignments for STM. The team verified the Officer status for each Signing Officer listed on the MERS Corporate Resolution for STM. The Custodian implemented an additional review process to ensure that all recorded assignments were executed by a valid Signing Officer at the time of creation. The team developed a human resources (HR) report to notify the Corporate MERS Administrator whenever a Signing Officer leaves the company. All policies and procedures related to the Signing Officer process were documented and became official policy for the Corporate MERS Administration department.

Accomplishments

- *Obtained corporate resolution from MERS dated October 19, 2010.*
- *Communicated to Signing Officers and their managers reminding them of their SO duties.*
- *Verified that all MERS Signing Officers are authorized Officers of SunTrust Mortgage.*
- *Identified available best practices regarding Signing Officer list (maintenance and compliance).*
- *Implemented Signing Officer verification check into the Custodial Recorded Assignment review.*
- *Documented STM policies and procedures for annual certification process.*
- *Developed a Human Resource report that notifies Corporate MERS Administrator whenever a Signing Officer leaves SunTrust.*
- *Developed additional STM requirements for annual certification process.*

Foreclosure Assignments

STM made a decision to centralize the creation and recordation of future Foreclosure assignments under the Corporate MERS team. In preparation for this transition, the Corporate MERS team enhanced the existing assignments database to capture and track the additional information pertinent to Foreclosure sales. The Corporate MERS team worked with the Default team to document new Policies and Procedures for the centralized processes, and the function was officially transferred to the Corporate MERS team for all loans entering foreclosure on or after April 1, 2011.

Accomplishments

- *Enhanced existing database to track Foreclosure (FC) assignments.*
- *Developed and documented Policies and Procedures for new FC assignment process.*
- *Transitioned process from Default team to Corporate MERS Team.*

Life of Loan Data Reconciliation; Rejects and Warnings

The Corporate MERS team developed a new database to facilitate the monthly Life of Loan (LOL) Data Reconciliation process. The team tested this database utilizing production data from November 2010, December 2010, and January 2011. Once enough reliable data was available, the Data Reconciliation team analyzed the outcomes and performed a preliminary root cause analyses on the Top 3 Exceptions (the Top 3 Exceptions combined with already known data issues accounted for [REDACTED] of the discrepancies). The working team reviewed the approximate volume of exceptions and developed a staffing analysis for ongoing production support. The team also determined the current portfolio of MERS registered loans for STM and began evaluating the feasibility of outsourcing the reconciliation of these loans to an outside vendor.

Accomplishments

- *Developed an application that automates the data comparison process between MERS and STM systems of record, for the required data reconciliation fields as noted in the MERS Quality Assurance (QA) plan as of January 15, 2011.*
- *Tested new database to perform data comparison and identify exceptions in current production.*
- *Completed data comparisons and identified reconciliations for January 2011 production.*
- *Performed root cause analysis on January 2011 Top 3 exceptions.*
- *Provided feedback to MERS on proposed new data feeds (~15 new fields) as presented in February 4, 2011 MERS Development Steering Committee (DSC) meeting.*
- *Identified potential best practices from other Servicers.*
- *Determined staffing needs to support the exceptions research and reconciliation process for all loans currently active on MERS system.*
- *Analyzed options for completing exceptions research and reconciliation process for all STM loans currently active on MERS system.*

Quality Assurance

The Corporate MERS team has implemented the monthly Quality Assurance (QA) process.

With respect to Quality Assurance (QA) the MERS team has completed the following actions:

- Reviewed the requirements outlined in the rules of membership and the MERS QA process document and performed a comparison to our existing QA workplan.
- Designed a database to facilitate the following: timely and accurate review.
- Incorporated all required actions in reference to MERS.
- Increased our sampling size.
- Formed a new team with the sole directive to perform QA reviews and Life of Loan reconciliations on a monthly basis.

Based on the results of our January, February, and March 2011 production data we have revised our policies, procedures and incorporated MERS oversight within other departments. Additionally, our QA efforts have facilitated interdepartmental cooperation to achieve the corporate goal of uniformity as it relates to MERS data and activities.

Through the enhanced QA process we identified the need for oversight of MERS functional areas Policies & Procedures and have since implemented a review and management signoff process within the MERS department.

Moving forward the MERS team will continue the monthly QA reviews, perform root cause analysis, and make recommendations for more aggressive tolerance levels. We will continue to work with the functional areas that impact MERS on process improvements, technology enhancements, and overall training to minimize discrepancies.

Our QA workplan is updated and modified to reflect current requirements, both internal and external.

Accomplishments

- *Developed database to track findings of QA reviews.*
- *Completed January 2011 QA review.*
- *Summarized January 2011 QA exceptions and published informal, preliminary findings.*
- *Completed and Summarized February 2011 QA exceptions and published formal findings.*
- *Completed and Summarized March 2011 QA exceptions and published formal findings.*

Vendor Management

STM identified a Vendor Manager to oversee the MERS relationship. The Vendor Manager developed a roles and responsibilities document for this role, which was approved by Executive Management. The responsibilities include, but are not limited to, oversight of: contracts and service level agreements, data integrity, SunTrust ETRM compliance, vendor audits, vendor communications, payments and Certified Officer list maintenance. The program is fully integrated with existing enterprise policies, standards and practices established by SunTrust Supply Chain Management (“SCM”), SunTrust Enterprise Technology Risk Management (“ETRM”) and SunTrust Legal, and, as such, is subject to appropriate corporate governance and oversight. For information regarding the MERS Vendor Management process contained within the Consumer Banking Supplier Management Program (“Program”), please refer to the Third Party (Vendor) Management response to Section 7 of the Consent Order.

Accomplishments

- *Named new Corporate Vendor Manager.*
- *Developed Vendor Management scope of responsibilities.*
- *Obtained executive approval/agreement on MERS Vendor Manager Responsibilities.*
- *Developed proposed (draft) site visit audit plan.*
- *Obtained copies of MERS contracts, BRIAs and audit results; stored in a location compliant with SunTrust’s Records Retention policy.*

1.7 In-progress Activities

Additional Consent Order Requirements:

The Corporate MERS team has reviewed each component of the MERS Consent Order requirements to verify compliance. The new processes and controls established as part of the Horizontal Foreclosure Review Action Plan address the majority of the requirements related to Signing Officers, Life of Loan Data Reconciliation, Rejects and Warnings, and Quality Assurance. The Corporate MERS team is working closely with the Vendor Management Work Stream of the Consent Order to ensure we can and will fully comply with any changes in SunTrust Mortgage’s standardized vendor management practices. The Corporate MERS team has already provided the Vendor Management team with specific concerns related to MERS’ potential vulnerabilities to ensure inclusion within the Vendor Management Work Stream.

The majority of the incremental work underway for the MERS Consent Order relates to requirement 10(d). The Corporate MERS team is facilitating a corporate-wide review of the MERS Membership Rules to ensure all MERS process owners are properly identified and aware of their Rule obligations. [REDACTED]

[REDACTED]

The Quality Assurance Testing, Life of Loan Data Reconciliation Processes and Rejects/Warnings Reports are operational as of June 2011. However, we continue to refine each of these functions as we identify opportunities to improve the overall process or outcomes. We view each function as a dynamic, evolving process and will make ongoing changes as needed to best meet the spirit and intent of the Consent Order and MERS Membership Rules.

1.8 Description of Action Plan

Program Governance

In order to comply with the Federal Reserve’s Consent order, the Corporate MERS team has developed individual action plans for six primary areas:

1. Signing Officers and Corporate Resolutions
2. MERS Membership Rules
3. Life of Loan (LOL) Data Reconciliations and Rejects and Warnings
4. Quality Assurance (QA)
5. Foreclosure Assignments
6. Vendor Management

These action plans are holistically managed as a program under the oversight of [REDACTED] Group Vice President Collateral Management and [REDACTED] Senior Vice President Loan Servicing and Administration. Any evidence listed with a completion date of May 2011 or prior has been completed and is available as needed. SunTrust will consider any potential change to this program governance as subject to Federal Reserve prior written approval according to Section 19(c) of the Order.

Assigned to	Action Item/Milestone	Evidence of Satisfaction	Completion Date
[REDACTED]	Establish internal MERS working team	Consent Order MERS Organizational Chart	Completed

Signing Officers and Corporate Resolution (10 a, b, c)**Horizontal Review Finding:** [REDACTED]

Consent Order Requirement: *The MERS Plan shall include, at a minimum:*

- a) *Processes to ensure that all mortgage assignments and endorsements with respect to mortgage loans serviced or owned by SunTrust Mortgage out of MERS' name are executed only by a Signing Officer authorized by MERS and approved by SunTrust Mortgage;*
- b) *Processes to ensure that all other actions that may be taken by MERS Signing Officers (with respect to mortgage loans serviced or owned by SunTrust Mortgage) are executed by a Signing Officer authorized by MERS and approved by SunTrust Mortgage and;*
- c) *Processes to ensure that SunTrust Mortgage maintain up-to-date corporate resolutions from MERS for all SunTrust Mortgage employees and third-parties who are Signing Officers authorized by MERS, and up-to-date lists of MERS Signing Officers.*

STM has taken steps to monitor and enforce our Signing Officer list, including tri-party agreements. The MERS Administrator has implemented a three way reconciliation between MERS CRMS, the SunTrust Signing Officer Database, and the HR report. MERSCORP confirmed that the authorities for [REDACTED] and [REDACTED] were removed as of April 30, 2011. The valid authority for Nationwide Title Clearing (NTC) is visible on the Corporate Resolution Management System and we have verified the Signing Officer status of each signing member for NTC. We have included the policies and procedures for STM Signing Officer and Corporate Resolution in the appendix of this document.

Additionally, we have enhanced our Signing Officer database to track and auto-notify Signing Officers of pending recertifications, documented policies and procedures for the initial certification process as well as annual recertification, created an HR report that notifies our team of any terminated Signing Officer, and communicated with all Signing Officers and their managers the responsibilities inherent within their Signing Officer status.

If/when a Signing Officer allows his or her certification to lapse the MERS Administrator takes the following actions:

1. A warning email is automatically sent out to the Signing Officer and the manager the day prior to certification expiration.
2. A second warning email is automatically sent out the day of expiration explaining the consequences of allowing their certification to lapse.
3. The next business day the Signing Officer is removed from the CRMS and the appropriate manager is again notified.
4. Once the Signing Officer is removed a request is made to MERS to update the Corporate Resolution.

In order to minimize non-compliance from MERS Signing Officers, STM will be implementing stricter control standards on our Signing Officers in the form of Supplementary Testing. In addition to the standard yearly recertification, STM will require Signing Officers to complete a quarterly mandatory training course. This will increase awareness of Signing Officers recertification responsibilities and will reduce non-compliance. Further, we have implemented a custodial review that verifies proper execution for recorded MERS Assignments, developed a supplementary MERS assessment module through SunTrust University (MTG-470, mandatory requirement for all Signing Officers starting in third quarter, 2011), and reviewed/updated MERS related verbiage/instructions in our published Retail Lending Guide.

We are currently working on implementing corporate-wide testing for MERS, as well as developing a manager attestation process for the initial certification and annual recertification processes. Managers will be required to attest to compliance with MERS related procedures in their functional area in order for their employees to be added to, or remain on the Corporate Resolution.

Assigned to	Action Item/Milestone	Evidence of Satisfaction	Completion Date
	Implement Signing Officers database enhancements to include: <ul style="list-style-type: none"> - tracking business justifications for granting signing authority (January 2011) - auto-notifications for upcoming re-certifications (March 2011) 	Upgraded database with enhancements	Completed
	Ensure all Signing Officers for tri-party vendors are compliant with MERS CRMS requirements.	Screen shot CRMS indicating compliant (passed status)	Completed
	Update STM Signing Officer policies and procedures to include steps taken when Signing Officer does not comply with recertification process	Updated Policies and Procedures (P&P) to include steps taken for non-compliance with re-certifications	Completed
	Develop supplementary Signing Officer Testing (June 2011) and confirm all Signing Officers have completed the testing (December 2011)	- Screen shots of new course and course number	Completed
		- Completed STU transcripts	December 2011
	Implement process for independent certification of Officer status for all MERS Signing Officers listed on the Corporate Resolution	Copy of first report confirming Officer statuses from independent source	Completed
	Implement STM management process to review and sign-off on Signing Officer policies and procedures on a semi-annual basis.	Management sign-off for current P&P	Completed
	Publish changes to Retail Lending Guide (RLG) policies and procedures for MERS Signing Officer processes.	Updated RLG with post May 2011 effective date	Completed
	Implement corporate-wide, mandatory MERS related training and attestation process with SunTrust University.	Course screen shots and course number	December 2011

MERS Membership Rules (10 d)

Consent Order Requirement: *The MERS Plan shall include, at a minimum:*

d) processes to ensure compliance with all MERS Requirements and with the requirements of the MERS Corporate Resolution Management System

In order to verify compliance with all MERS Membership Rules, STM initiated a cross-functional review of the areas that are utilizing MERS (origination, residential servicing, default, foreclosure and lien release/payoffs). We identified the functional managers responsible for each MERS process and ensured the managers were familiar with the appropriate Membership Rules for their areas. These reviews took place the weeks of May 2, 2011 and May 9, 2011.

Each functional area followed up with the Corporate MERS team and provided either an attestation statement certifying to compliance with the appropriate MERS Membership Rules for their area, or an explanation of procedural gaps currently preventing such an attestation. For the areas with self-identified gaps, action plans were initiated to bring these areas into compliance.

As of May 29, 2011, the areas that have certified to full compliance with their specific MERS Membership Rules are: Foreclosure, Loss Mitigation, Whole Loan Delivery, Final Documentation Exceptions, Bond Housing, Bankruptcy, New Loans, Servicing Sales and Acquisitions, Short Sales, MERS Foreclosure Assignments, Legal, Repurchase, Investor Reporting and Payoff/Release Departments.

[REDACTED]

[REDACTED] By June 30, 2011 we will have established targeted timeframes for each action plan that will be reviewed and updated no less than monthly by the Corporate MERS team.

The Corporate MERS team is also in the process of gathering all of the function-specific Policies and Procedures (P&P) related to MERS. [REDACTED], the team will help create acceptable P&Ps by July 31, 2011. Reviewing and certifying to compliance with these P&Ps will be incorporated into the annual recertification process for all Signing Officers.

The Corporate Resolution Management System requirements are the responsibility of the Corporate MERS Administrator and are included in the appropriate Policies and Procedures for the MERS Administration Function.

Assigned to	Action Item/Milestone	Evidence of Satisfaction	Completion Date
[REDACTED]	Update high level impact assessment matrix by Rule and obtain sign-offs on confirmed/no impacts from each functional area's manager	<ul style="list-style-type: none"> - Updated Impact Assessment Matrix - Confirmation emails from each functional area's manager 	Completed
Functional Owners	Finalize Rule-specific remediation plans for functional areas [REDACTED]	Finalized action plans for each Rule [REDACTED]	Completed

Assigned to	Gap Identified	Action Item/Milestone	Evidence of Satisfaction	Completion Date
Rule 1: Membership				
	Section 2(a)	Implement mandatory STU training requirements for all STM Signing Officers	<ul style="list-style-type: none"> - Course screen shots and course number - STU Transcripts 	December 2011
Rule 2: Registration on the MERS System				
	Section 3(a,b,l)	Publish and establish on-going process to verify updated Retail Lending Guide MERS P&P. Included in the updated version: <ul style="list-style-type: none"> - Process for Corporate MERS Dept to be notified when loans need to be registered manually due to re-closings or rescissions - Revisions for Subordination and Assumption instructions on RLG. 	<ul style="list-style-type: none"> - Updated Retail Lending Guide with revised instructions for manual registrations, subordinations and assumptions. - Updated QA P&P 	July 2011
	Section 3(l)	Inform Settlement Agents of requirement to use MERS language on all subordination and assumption documents.	Communication to Settlement Agents	September 2011
	Section 8	Implement Report to capture and correct reversed payoffs.	New report capturing reversed pay-offs	Completed
	Section 3(a,b)	Establish process to review and sign-off on logic, tables and values in origination and servicing systems annually.	Updated QA P&P to include annual process review	September 2011
	Section 7	Implement expanded validation of MERS data (pre-registration and post-registration) for each of the following business areas: <ul style="list-style-type: none"> - Correspondent - Post-Closing - Bond Housing 	<ul style="list-style-type: none"> - Revised Correspondent P&P - Revised Post-Closing P&P - Revised Bond P&P 	July 2011
	Section 8(b)	Implement process (with management approval) to reinstate MIN (reactivate manually in MERS) on applicable loans in the QA Policies and Procedures.	<ul style="list-style-type: none"> - Updated QandA P&P - Sign-off from manager that process has been 	July 2011

Assigned to	Gap Identified	Action Item/Milestone	Evidence of Satisfaction	Completion Date
			implemented	
MERS Functional Areas	Section 3	Include function-specific MERS processes in appropriate P&Ps to ensure compliance in regards to registration of loans.	P&Ps referencing MERS requirements for: Bond Housing, Assumptions, Retail, Broker, and Correspondent	July 2011
	Section 3(l)	Implement Digital Docs programming change requests.	Updated Assumption and Subordination Samples	September 2011
	Section 3	Implement process to obtain management signoff on functional Policies and Procedures annually going forward (include as recertification requirement).	Copy of completed attestations	January 2012
Rule 8: Foreclosure				
	Section 1	Update and implement procedures for internal QC process.	Updated P&P for FC assignments Sign-off from manager indicating internal QC has been implemented	Completed Completed
	Section 1	Develop QC Reports	Sample QC reports	September 2011
	Section 1	Resolve outstanding technical () and reporting (DORS) issues with Foreclosure team.	Corrected reports from DORS	September 2011
Rule 14: Notification To MERS of Pending Lawsuits				
	All	Identify STM Legal Counsel responsible for providing notification to MERS.	Email from Legal, identifying counsel names and MERS responsibilities () and ()	Completed

Life of Loan Data Reconciliations and Rejects / Warnings (10 e)

Horizontal Review Finding: [REDACTED]

Consent Order Requirement: *The MERS Plan shall include, at a minimum:*

- e) *processes to ensure the accuracy and reliability of data reported to MERS, including monthly system-to-system reconciliations for all MERS mandatory reporting fields, and daily capture of all rejects/warnings reports associated with registrations, transfers, and status updates on open-item aging reports. Unresolved items must be maintained on open-item aging reports and tracked until resolution. SunTrust Mortgage shall determine and report whether the foreclosures for loans serviced by SunTrust Mortgage that are currently pending in MERS' name are accurate and how many are listed in error, and describe how and by when the data on the MERS system will be corrected*

The Life of Loan (LOL) Data Reconciliation process is the internal naming convention STM has assigned to the end-to-end, lifecycle comparison of certain data fields between STM and MERS. The LOL process was developed in response to the Horizontal Foreclosure Review Findings and is operational today.

Our LOL process includes the following steps, which are repeated on a monthly basis:

1. Obtaining all MERS values for required data fields.
2. Obtaining all STM values for required data fields.
3. Importing both sets of data into a central repository.
4. Performing an automated comparison between MERS and STM values.
5. Identifying “exceptions” – values that do not reconcile perfectly between MERS and STM. Results consistently fluctuate month-to-month due to industry volatility.
6. Researching the exceptions by reviewing documents and servicing notes to determine which system has the correct data (MERS vs STM) and identifying the appropriate value.
7. Correcting the appropriate systems (performed by the Corporate MERS Team or New Loans) daily based on our review.
8. Performing root cause analysis on top three exceptions.
9. Identifying remediation plans to resolve top three exceptions.

The Life of Loan year end reconciliation of the entire portfolio will require the utilization of an outsourcing vendor due to the volume. This process has been segregated into four phases as demonstrated in the chart on page 17.

Our plan to outsource the portfolio reconciliation process will include the following steps:

1. Obtaining all MERS values for required data fields.
2. Obtaining all STM values for required data fields.
3. Delivery of pertinent loan document images.
4. Performing an automated comparison between MERS and STM values.
5. Identifying “exceptions” – values that do not reconcile perfectly between MERS and STM.
6. Researching the exceptions by reviewing documents and servicing notes to determine which system has the correct data (MERS vs STM) and identifying the appropriate value.
7. Correcting the appropriate systems (performed by the Corporate MERS Team or New Loans) daily based on our review.

In January 2011, we rolled out a database to facilitate steps 3 and 4 above. [REDACTED]

[REDACTED]

[REDACTED] We began exploring various technology solutions (both in-house and outsourced) [REDACTED]

██████████ as well as further automate the LOL process as outlined above. In the interim, we continue to manually perform the reconciliations and corrections as required on a monthly basis.

In June 2011, we were able to enhance our reconciliation tool to enable a comparison of the fields in the entire ██████████ Portfolio to the fields in the MERS Database. ██████████

██████████ We are working on implementing formal monthly reporting for LOL outcomes, similar to what we have established for the monthly Quality Assurance Testing.

STM has historically worked all Daily Rejects and Warnings reports as provided by MERS. However, we enhanced our Rejects and Warnings database/process in May 2011 to comply with the Consent Order requirement to publish reports on open/aged items.

We evaluate staffing on an ongoing basis to ensure full support for the LOL and Rejects and Warnings reconciliation processes.

Assigned to	Action Item/Milestone	Evidence of Satisfaction	Completion Date
██████████	Create and test report to track completion and aging of all Rejects and Warnings items	Sample Aging Report	Completed
██████████	Perform full gap analysis for Rejects/Warning Database reports and add any additional reports needed	Updated database with new reports	Completed
██████████	Compare entire servicing portfolio for potential data exceptions	Report	Completed
██████████	<p>Perform analysis to support the exceptions research and reconciliation process for all loans currently active on the MERS system. This will include:</p> <p>Phase 1: Researching outsourcing possibilities with Global Sourcing</p> <p>Phase 2: Conduct prototype with finalist, award contract</p> <p>Phase 3: <ul style="list-style-type: none"> Deliver first loan population for cleansing Establish escalation process Implement QC process Secure information exchange of data and documents </p> <p>Phase 4: <ul style="list-style-type: none"> Corporate Risk validation of actions </p>	<p>Phase 1: <ul style="list-style-type: none"> RFP's from vendors </p> <p>Phase 2: <ul style="list-style-type: none"> Executed contract with vendor </p> <p>Phase 3: <ul style="list-style-type: none"> ██████████, MERS, and loan documents sent to vendor Documented workflow with contact list Validation report Data files successfully exchanged </p> <p>Phase 4: <ul style="list-style-type: none"> Corporate Risk attestation </p>	<p>Phase 1: Completed</p> <p>Phase 2: September 2011</p> <p>Phase 3: October 2011</p> <p>Phase 4: December 2011</p>

Foreclosure (10 e)

Horizontal Review Finding:

[REDACTED]

STM requested and received an updated Corporate Resolution, dated post October 19, 2010. This Corporate Resolution was signed by the new MERS Corporate Secretary [REDACTED] with an effective date of February 3, 2011.

Additionally, in order to ensure compliance with the requirement that all servicers execute assignments out of MERS' name prior to the initiation of foreclosure proceedings, the foreclosure assignment process was centralized under the Corporate MERS team effective April 1, 2011. The Corporate MERS team has established new workflows and system triggers to prompt the timely creation and recordation of assignments for every loan that is referred to an attorney for first legal action. Pipeline reporting is available to provide management with an overview of the Corporate MERS team's performance in complying with applicable SLAs, as well as to assist in staffing / productivity analyses. Volumes and benchmarks continue to be evaluated carefully with staffing adjustments initiated as needed.

Assigned to	Action Item/Milestone	Evidence of Satisfaction	Completion Date
<i>See Action Items listed under 10d MERS Membership Rules under Rule 8: Foreclosure</i>			

Quality Assurance (10 f)

Horizontal Review Finding: [REDACTED]

Consent Order Requirement: *The MERS Plan shall include, at a minimum:*

- f) *an appropriate MERS quality assurance workplan, which clearly describes all tests, test frequency, sampling methods, responsible parties, and the expected process for open-item follow-up, and includes an annual independent test of the control structure of the system-to-system reconciliation process, the reject/warning error correction process, and adherence to the MERS Plan;*

The MERS Quality Assurance (QA) process was fully implemented in Q1 2011. The Corporate MERS Team developed a database to facilitate the testing, analysis and reporting components of the process. The Corporate MERS Team reviews a sample population of loans on a monthly basis and determines a “pass” or “fail” outcome based upon the loan’s compliance with MERS Quality Assurance requirements. Once all testing has been concluded, the following steps occur:

1. Loan-level outcomes and details are sent to the functional owners responsible for that particular MERS process.
2. Functional owners have an opportunity to review and respond to any exceptions. Functional owners must also provide action plans for any exceptions exceeding 10%.
3. Final testing results are compiled into a management report, along with Functional Owner responses.
4. The management report is generated to STM executive management. Included therein is the schedule for the next month’s testing.

Since establishing the monthly MERS QA process, the Corporate MERS Team has been working with our internal partners in Operational Risk Management (ORM) and Audit to develop independent testing and additional controls. The ORM team helped the Corporate MERS Team develop a Risk Control Self Assessment (RCSA) for MERS that now occurs annually. The SunTrust Audit team will include MERS in its schedule for annual independent, third-party testing starting in late 2011. Additionally, MERS has been included as a key risk in the Corporate Operational Risk Committee and the results of the monthly QA and LOL data reconciliation processes are reporting monthly via this forum.

The Corporate MERS Quality Assurance Work Plan outlines in detail the testing process which occurs each month, including statistical sample selection.

Assigned to	Action Item/Milestone	Evidence of Satisfaction	Completion Date
[REDACTED]	Include MERS/QA Testing as an Emerging Corporate Risk on monthly ORM report for additional management visibility.	Inclusion on ORM monthly agenda/reporting	Completed
[REDACTED]	Implement Operational Risk Management annual controls testing process as well as any additional Operational Compliance controls.	Testing results List of additional controls	August 2011

Vendor Management (10 g)

Horizontal Review Finding: [REDACTED]

Consent Order Requirement: *The MERS Plan shall include, at a minimum:*

- g) Inclusion of MERS in SunTrust Mortgage’s third-party vendor management process, which shall include a detailed analysis of potential vulnerabilities, including information security, business continuity, and vendor viability assessments.*

In January 2011, STM named an official vendor manager for MERS. As part of our new vendor management plan for MERS, the roles and responsibilities of the Vendor Management team were documented and approved by STM Executive Management on February 25, 2011. Based on the Corporate Vendor Management process as outlined above in Consent Order requirement 10(g), we will refine our responsibilities accordingly to align with our enterprise standards.

In the interim, we have consolidated copies of all MERS related contracts, BRIAs, and audit reports in a single location in order to ensure proper visibility.

Assigned to	Action Item/Milestone	Evidence of Satisfaction	Completion Date
[REDACTED]	Conduct site visit to MERSCORP as part of annual vendor management plan	Completed site visit materials (agenda, items tested, final outcomes, remediation requests)	December 2011

1.9 Progress Tracking

A critical component of our Consent Order response is the ongoing tracking of action plan milestones. The tracking and monitoring of action plan milestones will be managed via an active project management process. The Consent Order Program Management Office (PMO) will continue to provide the oversight and structure to the process. An objective of the Consent Order PMO is to provide the Consent Order work stream owners with a common methodology and shared platform for tracking the action plans submitted to Federal Reserve Bank.

All MERS milestones have been uploaded into a common repository. Each milestone is tracked using a unique milestone identifier. In addition to the unique identifier, each milestone contains a description of the milestone, the associated work stream, the assigned owner of the milestone, the status of the milestone, the planned completion date, and the work stream sponsor and project manager. The work stream owner is responsible for maintaining the status of each milestone (e.g. Open, Complete, Closed) on a regular basis. Upon completion of a milestone, the work stream owner is expected to upload documentation to provide evidence the milestone was successfully completed. SunTrust Audit will have full access to the repository for any validation work they perform throughout the process.

The Consent Order PMO will monitor the status of milestones entered into the repository to confirm work stream owners are updating milestones as expected. The status of upcoming and past due milestones will be reviewed as part of the Consent Order weekly work stream status meetings. Past due milestones will be escalated to the Consent Order Steering Committee for awareness and executive action as necessary.

2. Glossary

Acronym	Definition
CRMS	Corporate Resolution Management System
DSC	Development Steering Committee
ETRM	SunTrust Enterprise Technology Risk Management
LOL	Life of Loan
MERS	Mortgage Electronic Registration System
MRIA	Matter Requiring Immediate Attention
NTC	Nationwide Title Clearing
ORM	Operational Risk Management
P&P	Policies and Procedures
QA	Quality Assurance
RCSA	Risk Control Self Assessment
RLG	Retail Lending Guide
SCM	SunTrust Supply Chain Management
STM	SunTrust Mortgage
STU	SunTrust University

3. Appendix

MERS Consent Order Approach

Confirm Consent Order Requirements

Verify actions completed as part of Horizontal Fed Findings

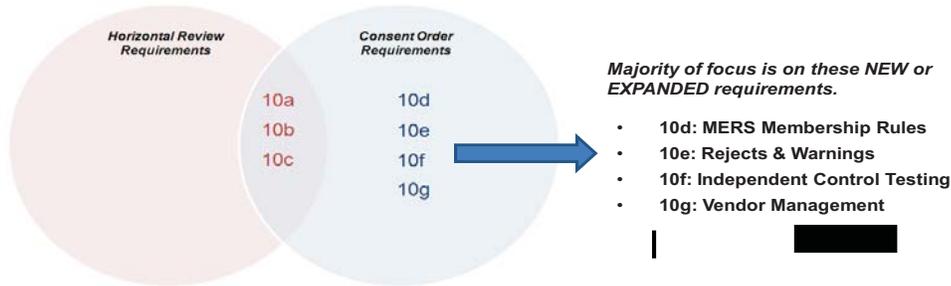
Address new / incremental requirements

Create overall implementation plan

- **Review detailed MERS requirements as outlined in Section 10 of the Consent Order**
 - Consent Order references MERS Terms & Conditions (2 page legal contract) as well as MERS Membership Rules (~30 page operational requirements).
- **Identify areas already addressed as part of the Horizontal Review Findings**
 - Determine if existing action plans are sufficient to address Consent Order Requirements
 - Develop additional action plans and owners as needed
- **Identify new areas addressed as part of the Consent Order**
 - Perform detailed impact assessment and gap analysis
 - Develop action plans and owners as needed
- **Combine Horizontal Review Findings plan with additional Consent Order action items**
 - Ensure consistency across both plans
 - Reference Horizontal Review work where possible

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MERS Consent Order Approach, cont'd



- 10d

- Identify impacted parties for each Membership Rule
 - Perform full gap analysis and develop remediation plans
- 10e

- Build requirements for new database to track exceptions and aging
 - Test and deploy database
- 10f

- Work with Operational Risk Management to include MERS in annual controls testing
 - Identify and implement other independent test controls as appropriate
- 10g

- Escalate/resolve existing vulnerabilities related to MERS data security and controls
 - Work with MERS Corp to develop and pilot MERS Shared Assessment approach

MERS Consent Order Working Team

- We have established a core MERS working team that is jointly responsible for delivering on the Consent Order requirements.
- The MERS requirements have been divided into logical work streams, with dedicated owners and individual action plans.
- The core MERS working team meets bi-weekly to ensure tight coordination across the multiple MERS-specific work streams.

