

Consent Order Response

Risk Management

(Consent Order Sections 15 & 16)

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1.0 Consent Order – Risk Management

1.1 Profile Sun Trust Banks, Inc.

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 June 30, 2011, SunTrust had total assets of \$172.31¹ billion and total deposits of \$121.9¹ billion. SunTrust Mortgage, Inc., headquartered in Richmond, VA, ranks as the eighth² largest servicer in the mortgage industry with 1.5%² 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 and Mortgage. 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

¹ SunTrust Quarterly Earnings Statement, June 2011

² Inside Mortgage Finance, March 2011

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 twenty-four 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, Real Estate Owned (“REO”) Management, Recovery, 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 Federal Housing Administration (“FHA”), Veterans Affairs (“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 and Mortgage. 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, Consumer Banking and Mortgage Executive,

President and Chief Executive Officer (“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 Overview of Compliance and Risk Management

Consent Order Risk Management Response Overview

SunTrust Bank's Enterprise Risk Policy and corresponding Corporate Risk policies and Consumer Banking Risk Program were the basis for our response to the Consent Order's Risk Management Section. Similar to our approach in addressing the Compliance Program, our response leverages SunTrust Bank's well defined risk management framework with a number of enhancements both at the corporate and business levels. We are continuing to implement the recommendations from internal findings and regulatory exams, many of which are overlapping with other Articles within the Consent Order.

Our response to Risk Management in the Consent Order covers three areas: Actions that are already in place or being implemented, actions that require development and implementation, and additional gaps and action items that we have self-identified.

First, the key changes made to improve risk management oversight and processes across mortgage servicing, default and foreclosure addressed in other Articles of the Consent Order as well as within the Risk Management section include:

- Revised risk framework documents: Enterprise Operational Risk Policy, Enterprise Compliance Risk Policy, and Consumer Banking Operational Risk Program. (September 2011)
- Created a Consumer Banking Operational Risk Plan to set forth the requirements for a programmatic framework through which Consumer Banking will manage operational risks and conduct its operations in compliance with policies, business legal requirements, and supervisory guidance.(August 2011)
- Amended the Charter of the Risk Committee of the Board of Directors to explicitly include oversight of material regulatory matters, actions and/or orders. (June 2011)
- Engaged PricewaterhouseCoopers (PWC) and Accenture to complete the documentation effort and to assess the quality of the current process, procedures and controls within the Mortgage default, servicing, origination, and support groups. (Q4 2011)
- Enhanced the Risk Control Self Assessment process (RCSA) to reinforce business ownership, yet provide a high level of "challenge" during the process facilitated by Operational Risk Management (ORM). (December 2011)
- Enhanced business legal requirement compliance by explicitly assigning risk oversight to Operational Risk Management, documenting business legal requirements to ensure supporting controls exist; review the business legal requirement change process to ensure it is effective in identifying and incorporating changes in a timely manner. (September 2011)
- Developed the Consumer Banking Supplier Management Program and Consumer Banking Supplier Management Procedures to establish a framework for the standards, controls and processes required to manage third party service providers. (July 2011)
- Developed risk and control awareness training to help educate the business lines of their responsibilities with regards to risk management. (December 2011)
- Expanded Operational Assurance Team to test control effectiveness within high risk areas addressed in the Consent Order, including the addition of business legal requirements.(September 2011)
- Continue the build out of the Default & Servicing Compliance/QC team to support changes in federal/state regulations and test effectiveness of the controls.(December 2011)
- Establish a central process and procedures governance group and process to communicate procedure changes.(February 2012)

Second, while substantive actions have been identified and implementation is underway, additional actions identified as a part of the Risk Assessment process include:

- Revise Enterprise Risk Policy to better define and clarify the Three Lines of Defense. (September 2011)
- Create a State Regulation Training program to deliver training on relevant state regulations. (March 2012)
- Expand Consumer Banking Supplier Management Program and Supplier Management Procedures framework to address Non-Attorney Bankruptcy and Collections functions. (December 2011)
- Develop definitions and guidance on Quality Assurance and Quality Control programs within mortgage. (November 2011)
- Formalize the Legal Risk Program by documenting existing Legal activities. (December 2011)

Finally, a by-product of the procedure and controls work being completed is the creation of a gap document that identifies process enhancement opportunities, training considerations, gaps in policies, procedures and controls, KRIs, KPIs and other reporting considerations. PwC developed this gap list while reviewing and documenting the inventory of Default procedures in support of the Consent Order. Gaps that appear substantive in nature were incorporated into the Risk Assessment response and action plan in section 16-L. By the end of 2011, an assessment will be completed to determine the applicability of identified substantive gaps (substantive being defined as either related to the Consent Order, Potential Regulatory Issue, or Investor Requirement). By March 2012, action plans will be developed to address the final list of gaps for remediation.

Additional and supporting actions are outlined in both the Risk Management and Risk Assessment Action Plans, but the above noted items are believed to be the most critical changes to improve the risk management program. Detail surrounding each of these items can be found in the body of the Risk Management response and in the Risk Assessment response located in Appendix F.

1.3 Background

SunTrust has a well defined Enterprise Risk Policy Framework which has oversight of residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations. An overview of SunTrust Bank's Enterprise Risk Framework is important with respect to understanding SunTrust response and plan noted in the Risk Management articles 15 and 16 within the Consent Order,

SunTrust employs a multi-level Enterprise Risk Policy Framework that provides a formal process for prioritizing, organizing and structuring Enterprise Risk Management policies to ensure the Bank operates within established risk tolerances and meets other business objectives. Policies are comprised of mandates, limits, principles, rules, and standards adopted and enforced by SunTrust to reach its long-term goals. The policies are designed to serve as the foundation for all major decisions and actions, and all activities are to occur within the boundaries set by them. The levels correspond to approval bodies, components (mandates, limits, principles, rules and standards), and ownership. An overview of SunTrust Bank's Risk Management Framework is provided below.

SunTrust Risk Management Governance

SunTrust's Risk Management strategy and governance is defined by the SunTrust Enterprise Risk Policy. SunTrust's risk management culture integrates top-down direction and governance with bottom-up business line commitment and accountability. This integration starts with the Board of Directors ("BOD") and the Risk Committee of the Board of Directors ("BRC"), supported by Executive Management (principally, the Chief Executive Officer ("CEO"), Chief Risk Officer ("CRO") and Chief Financial Officer ("CFO"), defining SunTrust's risk tolerance and delegating to the CEO responsibility for formation and execution of corporate strategies and tactics consistent with the defined risk tolerance. The CEO, in turn, delegates responsibility for the formation of corporate-level risk policies, limits and lending authorities, and reporting and monitoring to the CRO as Chair of the Compliance Risk Committee ("CRC") and the Chief Financial Officer as Chair of the Asset Liability Committee ("ALCO"). These two management committees are comprised of the Executive Management of the Bank and other senior managers. Membership is fully defined in each Committee's Charter, and they are jointly responsible for ensuring adequate risk measurement and oversight in their respective areas of authority. Please refer to the Enterprise Risk Governance Process which is Diagram 2 in Appendix A.

Accountability for risk management resides with the Board of Directors. The BOD delegates its responsibility for corporate strategy and decision-making involved with risk management to the CEO, who then delegates to the CRO and CFO. The Executive Management team monitors risk issues through management reporting. Business Unit Managers are responsible and accountable for the daily management of risk and return at the business unit level. The transparency of assumed risks in this structure helps to combine SunTrust's established risk tolerance with the need to optimize shareholder value.

Risk Tolerance and Risk Policies

SunTrust's CEO/President, CRO and CFO, together with other senior managers, work with the BRC to establish a targeted risk tolerance for SunTrust. Risk policies are developed and revised, as necessary, within the established Enterprise Risk Policy Framework to reflect risk limits and controls consistent with the desired risk tolerance. Together, the desired risk tolerance and risk policies provide a roadmap for how SunTrust will conduct business.

To ensure that SunTrust stays within its established risk tolerances, Executive Management may set specific limits more conservatively than the risk tolerance objectives require. These are established in accordance with the Enterprise Risk Policy Framework and transmit the intentions underlying the expressions of risk tolerance into the Bank's decision-making process.

SunTrust's corporate objectives related to risk measurement and reporting are comprehensive risk aggregation and transparency in reporting. Risk measurement activities occur at all levels of the organization, e.g., business units, business line and corporate management, CRC, ALCO, and reporting to the BOD. Corporate Risk Management is involved in the development of models and analytic tools to evaluate the level of risk, providing a holistic approach to aggregating and assessing enterprise-wide risks. The effective use of limits to control risk requires robust reporting, continuous management and proactive intervention as appropriate.

Governance Structure

Risk management is supported through a governance structure at the Board and management level, and through a risk organization structure both at the corporate and business unit level. Both the governance and risk management processes are aligned with the Enterprise Risk Policy Framework.

The BOD, through its BRC, is responsible for establishing a desired risk tolerance and for oversight of risk management. The BRC is vested with the authority to approve the Enterprise Risk Policy. It oversees the enterprise risk management policies for credit, market and operational risks. The BRC incorporates high level strategy and risk tolerances in the Enterprise Risk Policy. The BRC reviews and approves the Enterprise Risk Policy annually and reviews periodic reports to monitor compliance with the policy. For example, in-depth reporting of key facets of risk management, e.g., credit, operational, market, compliance, tolerance/limit compliance, etc., occurs quarterly through review of a Corporate Risk Profile package. The BRC is also vested with the authority to review and approve any policies established as part of the Enterprise Risk Policy Framework that require BRC review and approval for regulatory purposes.

The CEO is responsible for determining the general corporate strategy in accordance with the risk tolerance approved by the BOD, as well as delegating authority to Senior Management to define and implement business strategies and tactics that achieve appropriate risk/return objectives. The Bank has established various management committees as part of its enterprise risk management framework that support the CRO and CFO in monitoring business decisions for consistency with the Board's desired risk profile. These committees are jointly responsible for approving policies consistent with the Bank's risk tolerance and strategy to ensure adequate risk measurement and oversight. These committees include, without limitation, the CRC and ALCO. The CRC is responsible for supporting the CRO in identifying, measuring and managing the Bank's aggregate risk profile. Corporate Risk Management (CRM) policies developed within the Enterprise Risk Policy Framework set criteria for managing risk across businesses. The Enterprise Credit Risk Policy, Enterprise Market Risk Policy and the Enterprise Operational Risk Policy are reviewed and approved annually by Executive and Senior Management through the CRC or ALCO process. Additionally, CRM is responsible for monitoring compliance with all levels of risk management policies and reporting compliance to the BRC, CRC and/or ALCO, as appropriate.

Each of SunTrust's major businesses has established management meetings to discuss business and risk issues. Business level risk management procedures and guidelines, developed within the parameters set in Corporate Risk Management policies, provide further guidance for business-specific risk management processes and are generally reviewed and approved annually at the business management level with CRM input/review as appropriate. CRM provides independent oversight for the LOBs/Divisions/Functions and reviews business level risk procedures, guidelines and structure to ensure compliance with policies. CRM's consultative role is to assist each business unit to identify risks and to develop action plans for managing those risks.

Three Lines of Defense

SunTrust's risk governance structure and processes are founded upon three lines of defense, each of which is critical to ensuring that risk and reward in all activities are properly identified, assessed and managed. The three lines of defense require effective teamwork combined with individual accountability within defined roles. The Three Lines of Defense model was revised on September 20, 2011 to better define responsibilities within the three lines, including moving the Business Risk Management function into the first line of defense and emphasizing accountability for each line of defense to execute their role.

First Line of Defense

The first line of defense is comprised of all employees under the direction of Lines of Business and Function Heads. The first line owns and is accountable for business strategy, performance, management and controls within their business units and for the identification, management and reporting of existing and emerging risks. Risk responsibilities outlined in the Risk and Compliance Program documents, include but are not limited to:

- Developing and assigning appropriate roles and responsibilities for risk management processes and execution in accordance with corporate requirements
- Designing and implementing effective processes, procedures and controls which conform to established corporate credit, operational, compliance and market risk frameworks and promote adherence with policies, procedures, regulations and support the achievement of business objectives
- Identifying and communicating transactional, relationship and portfolio credit, operational, compliance and market risks in a timely and complete manner and using this data to inform decision making
- Analyzing transactional, relationship and portfolio credit, operational, compliance and market risks, and uses this information to communicate issues/trends and adjust business unit strategies
- Appropriately documenting and communicating processes, controls and procedures in accordance with corporate requirements.

Second Line of Defense

The second line of defense is comprised of Corporate Functions with independent oversight responsibilities. Oversight includes governance, guidance and establishing policy. Risk responsibilities outlined in the Risk Plan and Program documents, include:

- Establishing credit, operational, compliance and market risk management policies that conform to applicable laws, regulations and corporate risk tolerances
- Establishing effective frameworks for risk processes and controls; monitoring adherence to policies, procedures and regulations
- Continuously monitoring risk strategies, portfolios and execution to identify emerging and existing trends and risks
- Developing and maintaining a critical view of business activities, strategies, risk management processes and execution
- Appropriately documenting and communicating risk strategies, limits, tolerances, and policies and procedures
- Actively communicating with First and Third Lines of Defense regarding risks, trends and issues

As theme number five of the Risk Assessment outlines, regarding the unclear roles and engagement between the three lines of defense, SunTrust recognizes the importance of clearly defined roles and responsibilities. SunTrust's risk framework, as dictated by the Enterprise Risk Policy, is well defined. SunTrust's risk governance structure and processes are founded upon the three lines of defense, each of which is critical to ensuring that risk and reward in all business activities are properly identified, assessed and managed. SunTrust has taken a number of steps to clarify and strengthen the three lines of defense.

This Enterprise Risk Policy, developed to communicate risk strategies, limits, tolerances, policies, and procedures, covers the three lines of defense. It was revised on September 20, 2011 expanding and more clearly defining the roles and responsibilities within the three lines. The revision included moving the business risk management function into the first line of defense and clarifying their role. Additionally, the policy specifically addresses employee accountability with regards to identifying, measuring, and reporting risk at different levels of the organization so that decision making and material issues are clear to SunTrust stakeholders. As Appendix A in Section 3.0 demonstrates, the Corporate Operational Risk team serving as the Second Line of Defense communicates the Operational Risk Plan, outlining the risk strategies, limits, tolerances, policies, and procedures that the first line of defense must implement. Additional detail on the three lines of defense can be found in Background Section 1.3 of the Risk Management Consent Order response.

Third Line of Defense

The third line of defense is comprised of the Bank's assurance functions - Audit Services, Risk Review and the Model Validation Group - which independently test, verify and evaluate management controls and provide risk-based advice and counsel to management to help develop and maintain a risk management culture that supports business objectives. The responsibilities of these independent assurance functions include :

- Independently assessing the adequacy and appropriateness of established risk frameworks in light of Corporate policies, regulations and/or accounting standards
- Independently assessing the adequacy and appropriateness of established risk policy process and controls, and the levels of adherence/execution
- Independently identifying existing and emerging risks in credit, operational, compliance and market risk strategies, processes and controls
- Independently assessing robustness of ongoing risk management oversight programs and execution of risk management activities
- Documenting, communicating and monitoring identified risk issues and remedial plans.

In order to be effective, the three lines of defense must work together to identify and manage risks within specific business units and across the Bank. The success of the Bank's risk governance structure and processes depends upon communication and cooperation among the three lines.

SunTrust teammates are accountable for being a part of the three lines of defense and as such, roles and responsibilities are not to be viewed in isolation. As part of that responsibility, all teammates are expected to communicate and escalate any problems or concerns. Further, all SunTrust teammates must be aware of the risk involved in their actions and recognize the need to effectively manage it. This includes the identification, measurement and reporting of risk at different levels of the organization so that decision-making and material issues are clear to SunTrust stakeholders, including teammates, management, Board of Directors, regulators and investors. Failure of a teammate to appropriately identify, manage/mitigate, and/or communicate risks in accordance with assigned roles and responsibilities may result in disciplinary action up to and including termination.

Business Risk Management and Governance

The future success of STM and the ability to properly address issues identified both internally and by the examiners, as well the Consent Order Risk Assessment's recommendations, relies on our comprehensive and integrated approach to risk management and governance.

As addressed in Article 16-A, the Company measures and manages risk along the following primary dimensions: credit risk, liquidity risk, market risk, operational risk, compliance and reputational risk and legal risk. The Chief Risk Officer manages these risks on a consolidated basis under the Company's Enterprise Risk Governance Process and Enterprise Risk Policy Framework (see Appendix A - Diagrams 2 and 3).

The Consumer Banking Chief Risk Officer, who reports to the Consumer Banking and Mortgage Business Manager, is responsible for the management of the overall risk functions that support STM. The business risk management operating model mirrors the corporate risk management functional operating model. Each of the risk management organizations are well defined and each have policies, processes and procedures in place to maintain effective risk management and governance, including the identification, measurement, monitoring, control, mitigation and reporting of all material risks. The four operating models are:

- **Credit Risk** – Credit Risk includes overall risk management of activities related to the risk of default by customers and with resulting write-offs to the loss or repurchase reserve accounts. Key functions include credit guidelines and procedures, quality control, fraud management, repurchase operations, and credit analytics/reporting.
- **Market Risk** – Market Risk manages the overall exposure tied to Capital Markets (pipeline and warehouse management and hedging), Mortgage Servicing Rights (supporting the management and hedging of MSRs) and Mortgage Portfolio Management (supporting the strategies of on-book, fair-value mortgage assets).

- **Operational Risk** – Operational Risk is primarily the responsibility of line managers. Consumer Banking is supported and advised by a dedicated Operational Risk team that supports the internal and Sarbanes-Oxley (“SOX”) control processes, event collection, management reporting, capital quantification, business continuity planning, control testing, new product approval process and various risk mitigation projects.
- **Compliance Risk** – Compliance Risk is responsible to ensure changing federal/state regulations are identified and assessed, confirm business unit operations are conducted in accordance with applicable laws and regulations, validate adequate and appropriate controls exist and are effective, and to subject such controls to ongoing compliance testing. Compliance subject matter experts are responsible for partnering with the businesses to set up compliant internal policies/procedures, processes, loan documents, marketing materials, and “client-facing” communications, followed by the monitoring of compliance requirements and the testing of regulatory controls.

The Consumer Banking Chief Risk Officer role and the supporting risk management organization are also critical elements of SunTrust Risk Management. By assigning dedicated Chief Credit Risk officers, Operational Risk Management officers, and Compliance Risk Management subject matter experts to each line of business, there is greater accountability and traceability between the decisions being made and adherence to the risk governance policies.

It should be noted that additional risks are managed within the risk operating model described above. Because of the special nature of certain operational risks and the knowledge required to identify and mitigate them, SunTrust has Operational Risk Stewards who have developed methodologies in managing these special risks. The Bank assigns the management of the operational risk categories to “stewards” in the organization who provide subject matter expertise for managing operational risk. Depending on the area, the groups may be in a first or second line of defense role. A steward’s role is to recommend policy, methodology/technology, processes, training, and to provide reporting consistent with the Operational Risk Framework, for the management of an operational risk category. They also define standard controls, test scripts and assessments of risk in their related categories. Specifically, the following risks are addressed by a specialized program:

- Damage and Theft to Physical Assets Risk
- Regulatory Compliance Risk
- Financial Reporting Risk
- Fraud Risk
- Human Resources Risk
- Legal Risk
- Model Risk
- Product Risk
- Supplier Risk
- Technology Risk (includes Business Resumption)

These risks are reviewed with the Consumer Banking Operational Risk and Compliance committee quarterly.

Governance

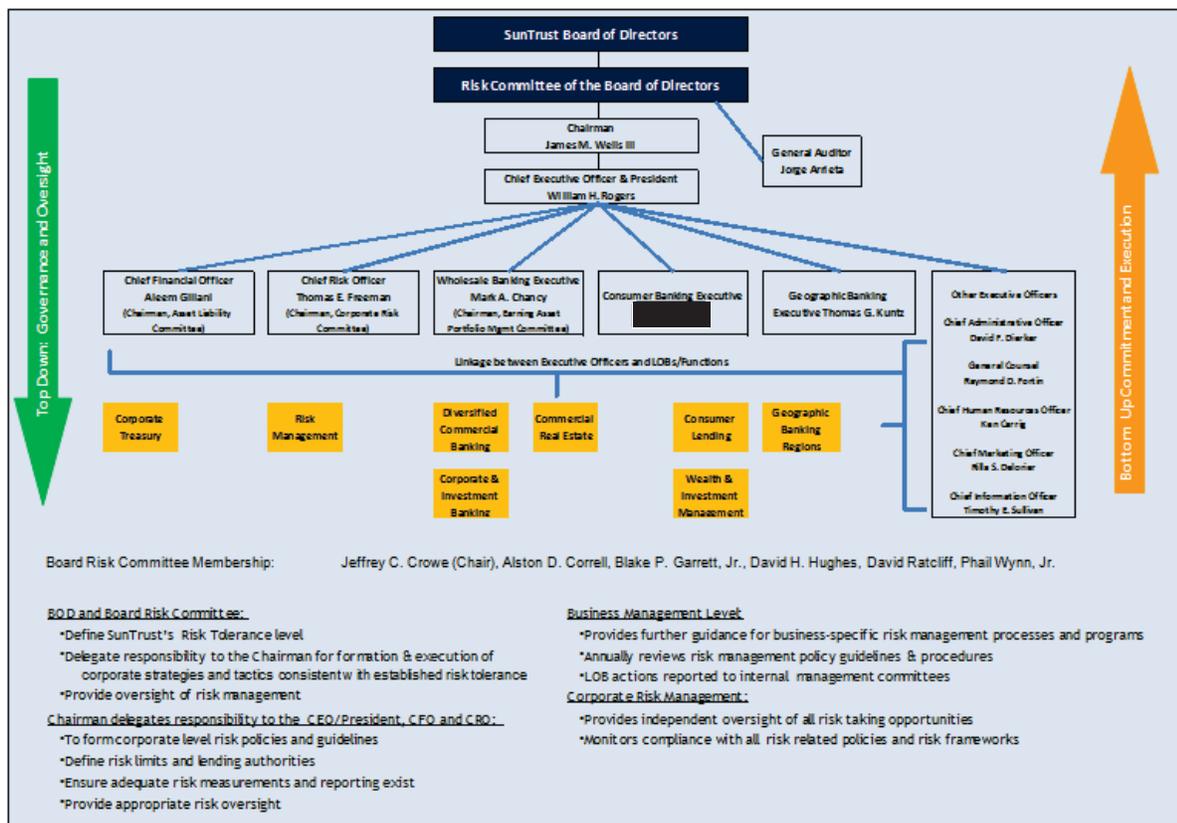
The Consumer Banking LOB, which includes the mortgage business and functions, has established management committees and meetings to discuss business and risk issues. While most decision making is delegated to business managers, risk committees ensure adequate risk oversight, transparency and decision making within their respective areas. Membership is more fully defined within each committee charter.

- **Asset Quality Committee (“AQ”)** – Provides a forum in which to review key credit performance metrics and communicate credit risk issues for both Consumer Banking and Corporate Risk management. A Mortgage Asset Quality Committee (MAQ) meeting is held monthly.
- **Operational Risk and Compliance Committee (“ORCC”)** – Provides an open forum in which to communicate operational risk and compliance issues for both Consumer Banking management and

Corporate Risk and to ensure that the LOB operates within established risk targets. Compliance targets are established and used to identify areas requiring enhanced levels of management attention. The ORCC membership includes the Consumer Banking and Mortgage Executive and senior executives from Consumer Banking and Corporate Risk and provides overall oversight of operational risks and of the state of compliance. A Mortgage specific Operational Risk and Compliance Working Group meets monthly and issues escalated as appropriate to the ORCC.

- **Product Risk Assessment Committee (“PRAC”)** – Ensures that risks inherent in new products and services are thoroughly assessed prior to the introduction of the new products and services. Both Consumer Banking management and members of Corporate Risk and staff groups are voting members of this committee. Corporate Product Risk Assessment Committee is responsible for providing oversight for product risk due diligence through monthly pipeline reporting and quarterly meetings. Products with material risk profiles are escalated to the corporate committee for their review.
- **STM Asset Liability Management Committee (“STM ALCO”)** – Provides a forum in which to review key balance sheet and market risk performance metrics and communicate market risk issues to Consumer Banking management, Corporate Risk management and STI ALCO.

Each of the committees above receives comprehensive information on its risk category. Select information is aggregated for reporting to the STI Risk Committees, as show in the diagram below, which is also Diagram 2 in Appendix A.



In addition to the structure of committee meetings described above, Corporate Risk maintains an enterprise-level Issues Tracking Database in which business units (including Consumer Banking) are required to record significant compliance-related matters. Issues are risk-rated and include a description of action plans, monthly status updates and projected completion dates. As required under the Enterprise Compliance Management Policy, issues rated Medium or High risk are reported monthly to the Corporate Risk Committee, and High risk issues are also reported to the Board Risk Committee.

The Corporate Compliance Officer and the Corporate Operational Risk Officer are members of the Corporate Risk Committee (“CRC”). Issues from Consumer Banking are escalated to the CRC through reporting.

The CRO identifies significant risk management issues at CRC that should be presented for review by the Risk Committee of the Board of Directors. The Chairman of the Risk Committee, in consultation with the CRO, defines the agenda for the Risk Committee of the Board of Directors. See Section 16(a) for a description of the enterprise risk governance process, including the Board Risk Committee.

Operational & Compliance Risk

The term “compliance” within the Consent Order is used in a broad sense and includes areas traditionally viewed as operational risk. Within SunTrust, these risks are addressed and managed under the compliance and operational risk disciplines. The Enterprise Compliance Management Policy addresses federal, state or local laws, rules and regulations; the Enterprise Operational Risk Policy addresses compliance with our business policies, procedures, processes, and controls. Business level risk programs, the Consumer Banking Compliance Program and the Consumer Banking Operational Risk Program, are in place to address how Consumer Banking will manage both of these risk disciplines. The Consumer Banking Operational and Compliance Risk Group is responsible for the overall oversight of the mortgage business and the respective risk and compliance programs.

The overall structure of policies governing operational risk and compliance is depicted in Appendix A – Diagram 1. Each of these documents is described in the following paragraphs. Although the majority of policies have already been put in place, as noted in the response to this Consent Order, STI continues to evaluate and enhance these policies where gaps or risks are identified. Furthermore, the Consumer Banking Operational Plan was created, and the Consumer Banking Operational Risk Program revised in response to the Consent Order Compliance Program.

The Enterprise Risk Policy is the board level policy defining STI’s approach to risk management. It defines roles and responsibilities, guiding principles, risk tolerances, measurement and reporting, governance and other information. This policy was revised in September 2011 to clarify and better define the Three Lines of Defense governance process.

The Enterprise Operational Risk Policy provides a firm-wide definition of operational risk, roles and responsibilities to manage it, and the principles to be applied in managing operational risks in the business units. The Policy specifies the duties of the Corporate Operational Risk Manager (“CORM”) to obtain an assessment of the business unit operational risks and an evaluation of the controls in place to manage those risks. Further, CORM develops an overall assessment of operational risks faced by the Company and reports on this assessment and any significant Compliance issues to the Corporate Risk Committee (“CRC”) and Risk Committee of the Board of Directors not less than annually.

The Enterprise Operational Risk Framework specifies the steps for risk management including identification, assessment, mitigation, monitoring and reporting. A key requirement of these policies is the annual execution of a Risk and Control Self Assessment (“RCSA”). The RCSA is a holistic evaluation of operational risks, which includes data from many risk and control assessments performed at SunTrust through various corporate programs. RCSA assesses the impact and probability of key risks, as well as the effectiveness of the associated controls against these risks, and the assessment of the operational control environment for the line of business (“LOB”)/Function. Under the Framework, each business is required to develop and maintain an Operational Risk Program document to operationalize the requirements of the policy.

As part of the Consent Order Compliance Program action plan, Corporate Operational Risk developed an Operational Risk Plan for the Consumer Banking businesses which include residential mortgage loan servicing, loss mitigation, and foreclosure activities. The Plan sets forth the requirements for a programmatic framework through which Consumer Banking will manage operational risks and conduct its operations in compliance with policies, business legal requirements, and supervisory guidance. The Plan was completed on August 31, 2011 and includes more specific requirements for the governance structure, operational risk management responsibilities, requirements for procedures, program staffing, periodic meetings and reporting, risk monitoring, legal support and issue tracking.

In response to the Plan, the Consumer Banking Operational Risk Program, which describes Consumer Banking processes and mechanisms for managing operational risks in compliance with the requirements defined in the Plan, was updated September 30, 2011. The Program document includes the enhanced risk management processes including Operational Assurance Testing, expanded Business Control Assessment program, and the clarification of roles and responsibilities.

The Enterprise Compliance Management Policy states the objective of the Enterprise Compliance Management Program is to ensure the Company maintains the policies, procedures, and operational controls necessary to reasonably ensure that it complies with regulations and laws applicable to its business operations, and that senior management and the Board of Directors are informed of the Company's level of compliance risk and of any high-risk issues. The Compliance Policy specifies the duties of the Corporate Compliance, Business Unit(s) and Legal Divisions for managing compliance with existing regulations and with addressing changes or new regulations and laws.

Similar to Operational Risk, a Consumer Banking Compliance Program is in place to address the requirements set forth in the Compliance Plan provided by Corporate Compliance Risk. The Compliance Program sets forth a programmatic framework through which Consumer Banking will ensure it conducts its operations in compliance with all applicable laws, regulations and industry standards. This Program is established under the SunTrust Enterprise Compliance Management Policy as a component of SunTrust's overall process for managing its compliance risks.

1.4 Consent Order – Risk Management Findings

Excerpts from the Consent Order dated April 13, 2011 - Risk Management

15. Within 60 days of submission of the comprehensive risk assessment conducted pursuant to paragraph 13 of this Order, SunTrust shall submit to the Reserve Bank an acceptable written plan to enhance its ERM program with respect to its oversight of residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations. The enhanced program shall be based on an evaluation of the effectiveness of SunTrust's current ERM program in the areas of residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations, and recommendations to strengthen the risk management program in these areas. The plan shall, at a minimum, be designed to:
- a) Ensure that the fundamental elements of the risk management program and any enhancements or revisions thereto, including a comprehensive annual risk assessment, encompass residential mortgage loan servicing, Loss Mitigation, and foreclosure activities;
 - b) ensure that the risk management program complies with supervisory guidance of the Board of Governors, including, but not limited to, the Board of Governors' guidance entitled, "Compliance Risk Management Programs and Oversight at Large Banking Organizations with Complex Compliance Profiles," dated October 16, 2008 (SR 08-08/CA 08- 11); and
 - c) establish limits for compliance, legal, and reputational risks and provide for regular review of risk limits by appropriate senior management and the board of directors or an authorized committee of the board of directors.
16. Within 60 days of submission of the comprehensive risk assessment conducted pursuant to paragraph 13 of this Order, the Bank and SunTrust Mortgage shall submit to the Reserve Bank an acceptable, comprehensive risk management program for SunTrust Mortgage. The program shall provide for the oversight by the Bank's and SunTrust Mortgage's boards of directors and senior management, including the Bank's and SunTrust Mortgage's senior risk managers, of the development and implementation of formalized policies and mitigation processes for all identified risks to SunTrust Mortgage. The program shall, at a minimum, address, consider, and include:
- a) The structure and composition of the Bank's and SunTrust Mortgage's board risk management committees and a determination of the optimum structure and composition needed to provide adequate oversight of SunTrust Mortgage's firm-wide risk management;
 - b) a detailed description of the responsibilities of the line-of-business staff, legal department, and internal audit department regarding risk assessment and management, including, but not limited to, compliance and legal risks;
 - c) written policies, procedures, and risk management standards;
 - d) processes to adequately identify risk levels and trends;
 - e) processes to adequately identify and control risks arising from incentive compensation programs;
 - f) processes to document, measure, assess, and report key risk indicators;
 - g) controls to mitigate risks;
 - h) procedures for the escalation of significant matters related to risks to appropriate senior officers and board committees;
 - i) the scope and frequency of comprehensive risk assessments;
 - j) a formal method to ensure effective communication of established risk management policies, procedures, and standards to all appropriate business line and other staff;
 - k) periodic testing of the effectiveness of the risk management program; and



- I) the findings and recommendations of the independent consultant described in paragraph 13 of this Order regarding risk management.

1.5 Consent Order Risk Management Response

The following approach details the current state and / or planned actions to address each item detailed in the Risk Management section of the Consent Order. Section 1.6 of this response provides action items for planned enhancements to the existing program and Appendix F provides the response to the independent Risk Assessment.

15. *Within 60 days of submission of the comprehensive risk assessment conducted pursuant to paragraph 13 of this Order, SunTrust shall submit to the Reserve Bank an acceptable written plan to enhance its ERM program with respect to its oversight of residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations. The enhanced program shall be based on an evaluation of the effectiveness of SunTrust's current ERM program in the areas of residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations, and recommendations to strengthen the risk management program in these areas. The plan shall, at a minimum, be designed to:*

- a) *Ensure that the fundamental elements of the risk management program and any enhancements or revisions thereto, including a comprehensive annual risk assessment, encompass residential mortgage loan servicing, Loss Mitigation, and foreclosure activities;*

SunTrust has implemented a comprehensive risk management program as documented in its Enterprise Risk Policy, Enterprise Operational Risk Policy and Framework, and Enterprise Compliance Risk Policy. Corporate Operational Risk Management develops a plan for Consumer Banking outlining the specific requirements for their operational risk Program. The Program, updated in September 2011 as part of the original Consent Order Response, defines a comprehensive risk management Program covering all of Consumer Banking, including Loss Mitigation, Foreclosure, and Loan Servicing business activities and operations, as well as to the broader components of SunTrust Mortgage and Consumer Banking.

The Program details a risk-based approach to conducting risk assessments, with more comprehensive assessments being applied to higher risk functions. The Program defines criteria for rating each business area as high, medium or low risk, which is presented to our Consumer Banking Operational Risk and Compliance Committee ("ORCC") for approval annually. These results were last presented and approved in August 2011 and included high-risk functions from select servicing functions, foreclosure and loss mitigation. Ratings may change during the year based on changing business circumstances. The actual assessment of risks and controls in each area (the Business Control Assessment process) is spread out over the course of the year, and summary results will be incorporated into regular committee reporting.

The September 2011 updates to the Operational Risk Program, which cover Loss Mitigation, Foreclosure, and Loan Servicing, included:

- Line of Business Responsibility Clarifications / Changes:
 - Responsible for managing business processes and take responsibility for their own risks and controls
 - Identify all significant business operational activities and processes.
 - Coordinate with designated LOB/function risk managers to identify, develop, and document control activities sufficient to mitigate inherent risks to an acceptable level.
 - Business managers are responsible for development and maintenance of procedures and operational controls to ensure they are managing operational risk. Procedures and controls are to be stored on designated common sites. They will comply with corporate standards for procedures and controls, or have an action plan to conform to them by the end of 2011.

- Ensure that all employees have been properly trained to perform controls and have access to procedures and controls.
 - Periodically test (if applicable) and monitor the design and operating effectiveness of controls.
 - Ensure control performance, escalation, and accountability for execution.
 - Ensure that controls are developed for any new functions and that controls are revised as processes and procedures change.
 - Develop and report relevant risk metrics and KRI's to monitor key risk processes and activities. Share results with Risk Management as requested.
 - Comply with corporate policies
- Operational Risk Program Clarifications / Changes:
 - Overall Consumer Banking Risk accountability lies with Consumer Banking Line of Business Head
 - Clarification that Operational Risk Program Document applies to all of Consumer Banking
 - Expanded scope to include legal business issues
 - ORM responsibility to participate in large technology projects, expand risk reporting, monitor mitigation efforts, compliance with corporate policies and procedures, Operational Assurance testing
 - Changed ORM responsibilities to work with business areas on controls but no longer to document them
 - Strengthened LOB responsibilities around ownership of risk and controls, develop / document controls and procedures
 - Introduces 'Risk Stewards' – staff groups who are SME's on a particular type of risk (Legal, Supply Chain Management, Fraud, Compliance, Finance Risk Management, Corporate Security, Enterprise Information Systems, Human Resources, Real Estate, Tax)
 - QC results are to be provided to ORM, reviewed, and summarized in reporting
 - ORM to maintain and publish a calendar of activities
 - Risk assessment to be expanded with in-depth Business Control Assessment (BCA) process for high risk areas
 - Documented process for Operational Assurance testing
 - Risk reporting expanded to include test results, a more integrated/holistic view of risk steward assessments, major open issues
 - More formal issue tracking from BCA, event collection, key risks
 - Risk and control training

Additional details regarding the Risk Assessment Process are provided in Section 16-I.

- b) *ensure that the risk management program complies with supervisory guidance of the Board of Governors, including, but not limited to, the Board of Governors' guidance entitled, Compliance Risk Management Programs and Oversight at Large Banking Organizations with Complex Compliance Profiles," dated October 16, 2008 (SR 08-08/CA 08- 11); and*

The Corporate Compliance Program is designed to be consistent with the requirements of SR 08-08. The program has been reviewed by the Federal Reserve staff on numerous occasions. In particular on March 3, 2010 Corporate Compliance provided the FRB staff with a comprehensive overview of our compliance program and structure that focused specifically on the requirements of SR 08-08. The presentation included the slide below, demonstrating that SunTrust's program is consistent with the provisions of SR 08-08.

SR Letter 08-08



Sun Trust's designed its Enterprise Compliance Management Program with FRB input prior to issuance of SR Letter 08-08.

SR Letter Requirements	SunTrust Program
<ul style="list-style-type: none"> ▪ Institution should have a robust corporate program for compliance risk management and oversight, addressing risk identification, assessment, controls, measurement, monitoring and reporting and compliance training. ▪ Compliance staff must have sufficient independence from line management, strong oversight and support from corporate level and may not be compensated on the basis of business unit financial performance. ▪ Institutions must implement comprehensive compliance risk assessment methodologies and risk-based compliance assurance testing. Assurance testing performed by internal audit must be appropriate to the level of compliance risk. ▪ Board must promote a culture of ethical conduct and compliance, understand compliance risks and require senior management to establish requisite training, compensation and HR management processes. Board must approve key elements of the compliance program and receive reporting. 	<ul style="list-style-type: none"> ▪ Enterprise Compliance Management Policy and the various programmatic documents adopted under it address each element set forth in the SR Letter. ▪ Business unit compliance functions have matrix reporting to Corporate Compliance, which provides strong ongoing oversight, monitoring, support and coordination. ECM Policy prohibits compensating compliance staff on basis of sales, production or profitability. ▪ Corporate Compliance performs annual LOB-level and Enterprise-wide compliance risk assessments. Compliance assurance testing is performed by a specialized group in Internal Audit, by business unit risk management staff and by general internal audit staff. Compliance testing plans for each LOB are established by Corporate Compliance. ▪ SunTrust has a culture of ethical conduct and compliance with all legal, regulatory and policy requirements. The ECM Policy has been approved by the Risk Committee of the board, which receives regular reporting on compliance risks. Senior management has established policies and procedures necessary to implement the ECM Policy, and receives monthly reports on compliance risks.

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The most recent enterprise compliance rating from the Federal Reserve, dated April 6, 2011, includes no observations indicating concerns about our compliance with SR 08-08, and states that Board and Senior Management oversight of compliance is currently rated as satisfactory.

Subsequent revisions and updates to the Compliance Program have been made with the requirements of SR 08-08 in mind. Similarly, the Consumer Banking Compliance Program, established under the Corporate Compliance Program, was designed to comply with SR 08-08.

With regards to supervisory guidance, Corporate Compliance manages new guidance through the same processes used to manage changes to regulations. Corporate Compliance, along with the Legal Department, monitors changes to regulations or supervisory guidance and identifies the business unit(s) potentially impacted by the change. Corporate Compliance then requires those business units to perform a preliminary impact assessment of the new regulation or guidance. If the impact is assessed as material, the responsible business unit assembles a project team or working group of personnel from Compliance, Legal, Operations, Technology and other disciplines, as appropriate, to develop and execute a plan to implement the required change. Progress on the implementation plan is tracked by Corporate Compliance and reported to business unit management in regular Operational Risk and Compliance meetings. Any issues or concerns will be escalated by Corporate Compliance to the Corporate Risk Committee and, if appropriate, the Board Risk Committee. Changes that impact multiple business units may be implemented through a joint project or working group coordinated by Corporate Compliance. Corporate Compliance may engage a third party consultant to validate that the new program meets the regulatory requirements or guidance.

Although supervisory guidance was not explicitly included in the scope of the regulatory change management process at the time of this Order, our practice has been to manage it in the manner

described above. Supervisory guidance was explicitly included in the scope of the revised Enterprise Compliance Management Policy approved in September 2011.

Per the Enterprise Compliance Management Policy, Corporate Compliance establishes a Consumer Banking Compliance Plan that specifies the compliance responsibilities of Consumer Banking, including changes to laws and regulations, compliance testing and monitoring, training and management reporting. The Consumer Banking Compliance Program was enhanced on November 30, 2011 to include responsibilities for the assessment and implementation of changes in supervisory guidance, as it is now in the approved policy. As referenced in the Consent Order Response to Article 9-A for Compliance, the Consumer Banking Compliance Program included responsibilities for the assessment and implementation of changes in supervisory guidance, as it is now in the approved policy.

Response to Consent Order Article 9-A

“The Consumer Banking Compliance/Quality Control Group’s role and responsibilities are addressed in the Consumer Banking Compliance Program. The Program is in place to ensure changing federal/state regulations are identified and assessed, confirm business unit operations are conducted in accordance with applicable laws and regulations, validate adequate and appropriate controls exist and are effective, and to subject such controls to ongoing compliance testing. Compliance subject matter experts are responsible for partnering with the businesses to set up compliant internal policies/procedures, processes, loan documents, marketing materials, and “client-facing” communications, followed by the monitoring of compliance requirements and the testing of regulatory controls.”

Similar to the Enterprise Compliance Management Policy, the Enterprise Operational Risk Policy was updated during the annual review, September 2011, to include supervisory guidance for the enterprise Framework. Additionally, Corporate Operational Risk has established a Consumer Banking Operational Risk Plan that specifies the operational risk responsibilities of Consumer Banking, including scope, assessments, testing, monitoring and reporting. The Consumer Banking Operational Risk Plan will also include the responsibilities for the implementation of supervisory guidance.

- c) *establish limits for compliance, legal, and reputational risks and provide for regular review of risk limits by appropriate senior management and the board of directors or an authorized committee of the board of directors.*

The Consumer Banking Operational Risk Plan, which establishes the requirements for Consumer Banking’s Operational Risk Program (including residential mortgage loan servicing, loss mitigation, and foreclosure operations), requires the utilization of risk metrics and the establishment of thresholds, or limits, for those metrics. The risks that are required to be monitored are operational risks with compliance and legal risk components. Consumer Banking’s Operational Risk Program document, describes that thresholds for each key risk are established and are presented to the Operational Risk and Compliance Committee (“ORCC”) for approval annually. Annual approval of the key risk metrics occurred on October 21, 2011. Key risk metrics compared against the approved thresholds are reported to the ORCC quarterly. Key risks, related metrics, and thresholds maybe reported to the Corporate Risk Committee (“CRC”) and Board as appropriate. The escalation process is further described in Article 16-H.

Risk assessment processes and activities used to identify key risks are documented in the Consumer Banking Operational Risk Program and summarized in section 16-D. 18 key risks are currently tracked for the mortgage business. Examples of key risks include but are not limited to MERS Process Adherence and Supplier Risk, Foreclosure Timeliness, and Loss Mitigation. After a key risk has been identified, metrics are identified (existing or new) and thresholds established. Key risks and associated metrics are reviewed in the Operational Risk and Compliance Committee noted above.

Due to its complexity reputational risk is not easily quantified, however it is addressed qualitatively in the four overarching risk control objectives that shape SunTrust's risk tolerance as outlined in the Enterprise Risk Policy. Reputational risk impacts are considered when other quantitative thresholds are exceeded. In addition, SunTrust's reputational risk is included in our risk assessment management techniques through our RCSA and scenario analysis processes.

16. *Within 60 days of submission of the comprehensive risk assessment conducted pursuant to paragraph 13 of this Order, the Bank and SunTrust Mortgage shall submit to the Reserve Bank an acceptable, comprehensive risk management program for SunTrust Mortgage. The program shall provide for the oversight by the Bank's and SunTrust Mortgage's boards of directors and senior management, including the Bank's and SunTrust Mortgage's senior risk managers, of the development and implementation of formalized policies and mitigation processes for all identified risks to SunTrust Mortgage. The program shall, at a minimum, address, consider, and include:*
- a) *The structure and composition of the Bank's and SunTrust Mortgage's board risk management committees and a determination of the optimum structure and composition needed to provide adequate oversight of SunTrust Mortgage's firm-wide risk management;*

The Board of Directors of SunTrust Banks, Inc. (and its affiliates), and management of the Company have an established Enterprise Risk Governance Process and Enterprise Risk Policy Framework (see Appendix A - Diagrams 2 and 3) to manage the credit, liquidity, market, operational, compliance and reputational, legal and other risks that confront the Company. To provide focused oversight of the Company's management of these risks, prior to the consent order, the Board of Directors established a Risk Committee (the Risk Committee of the Board of Directors, or Board Risk Committee) that is composed of experienced members versed in business, financial, regulatory and/or other risk disciplines. While the Board Risk Committee's (BRC) oversight has historically extended to regulatory and compliance matters, the Board approved amendments to the BRC's Charter in July 2011 to, among other things, amplify oversight responsibility for regulatory matters, orders and actions. A portion of each monthly BRC meeting is dedicated to the review of regulatory matters, and also now includes a specific review of Consent Order remediation activities, including the requirements outlined in Article 2 (Board Oversight) of the Consent Order. In light of the aforementioned, the structure, composition and activities of the Board and Board Risk Committee are deemed appropriate to oversee the risks of the Company, including the provisions of the Consent Order.

Per its charter, the Risk Committee of the Board of Directors ("BRC") reports to and assists the Board of Directors in overseeing and reviewing information regarding the Company's Enterprise Risk Management Framework, Enterprise Capital Adequacy Framework and material regulatory matters. Membership is comprised of six external board members with a broad array of business, financial and corporate governance experience; they are well-suited to the Committee's diverse risk oversight responsibilities. Biographies of the external board members can be found in Appendix E. The BRC's oversight, review and/or approval responsibilities include significant policies, practices and metrics employed to manage credit risk, liquidity risk, market risk, operational risk, compliance and reputational risk and legal risk. Meeting content is adjusted at the discretion of the Chairman of the Risk Committee of the Board of Directors, in consultation with the Corporate Risk Officer.

As part of the Consent Order, the charter of the Risk Committee of the Board of Directors was amended by the Board of Directors to explicitly include oversight of material regulatory matters, actions and/or orders (June 2011).

The BRC meets monthly and a portion of each meeting is reserved for an Executive Session to review regulatory and compliance matters, including specific review of the status of the Consent Order.

- b) *a detailed description of the responsibilities of the line-of-business staff, legal department, and internal audit department regarding risk assessment and management, including, but not limited to, compliance and legal risks;*

The foundation for risk roles and responsibilities is based on the Enterprise Risk Policy and cascaded through the risk policies with increasing detail down to the business. Specific responsibilities with regards to the Three Lines of Defense are noted in the Overview section of this response. The Consumer Banking Operational Risk Program, referenced in Section 15-C, contains detailed responsibilities for line of business, legal and internal audit. The Program defines these responsibilities, which include conducting risk assessments:

- Business Unit Managers: Manage business processes and take responsibility for their own risks and controls. Business Managers are the first line of defense:
 - Identify all significant business operational activities and processes.
 - Coordinate with designated LOB/function risk managers to identify and develop control activities sufficient to mitigate inherent risks to an acceptable level.
 - Participate with ORM in risk assessment exercises (e.g., BCA, RCSA, Scenario Analysis and other ad-hoc assessments that may occur.). Business Unit Managers “own” their risks, the results of assessment and related mitigation actions, as applicable.
 - Develop and maintain procedures and operational controls to ensure they are managing operational risk.
 - Ensure procedures and controls are stored on designated common sites.
 - Comply with corporate standards for procedures and controls, or have an action plan to conform to them by the end of 2011.
 - Ensure that all employees have been properly trained to perform risk management and have access to procedures and controls
 - Monitor the design and operating effectiveness of controls, including periodic testing (if applicable).
 - Ensure control performance, escalation, and accountability for execution.
 - Ensure that controls are developed for any new functions and that controls are revised as processes and procedures change.
 - Develop and report relevant risk metrics and KRIs to monitor key risk processes and activities. Share results with Risk Management as requested.
 - Comply with corporate policies.

- Legal: Related to Operational Risk, Legal is responsible for identifying business requirements and legal interpretation for legal execution risks as defined in the Consumer Banking Operational Risk Program. Legal is part of the second line of defense. Legal provides Consumer’s Operational Risk team with an inventory of general legal requirements that need to be monitored. Additionally, Legal keeps Operational Risk Management (“ORM”) informed of major litigation issues and trends to support root cause analysis and prevention, assess our exposure and drive practices to reduce legal and litigation risks. Legal costs and settlements are operational events that require reporting by Legal. The Consumer Banking Operational Risk Program appendix provides additional details for managing legal risk. Specific roles include:
 - Identify, analyze and advise on legal and regulatory matters
 - Review new state statutes, regulations, relevant rules and other legal precedents.
 - Analyze, interpret and document requirements and assessment of potential risks.
 - Participate with ORM in risk assessment exercises (e.g., BCA, RCSA, Scenario Analysis and other ad-hoc assessments that may occur).
 - Document requirements on the Legal Requirements Inventory.
 - Communicate requirements and risk assessment to Operational Risk and Compliance.
 - Partner with project teams by participating in project meetings as necessary, providing clarification of requirements, assessing impact and providing legal advice.
 - Assess legal risk of compliance with regulations, litigation and other general legal requirements. Additional information related to the legal risk assessment can be found in Sections H-4 and H-11 of the Risk Assessment response.

- SunTrust Audit Services (“SAS”): assists management in identifying risks in all our businesses and by independently assessing the design and operating effectiveness of the controls established to mitigate these risks. SAS, the third line of defense, provides business managers, senior management, the Audit Committee of the Board of Directors, and regulators with an objective perspective on SunTrust’s control environment. Also see SAS’ role in evaluating risk management in section 16-K.

c) *written policies, procedures, and risk management standards;*

SunTrust established and deployed a multi-level Enterprise Risk Policy Framework that provides a formal process for prioritizing, organizing and structuring Enterprise Risk Management policies and procedures to ensure the Bank operates within established risk tolerances and meets other business objectives (see Appendix A – Diagram 3).

The Enterprise Risk Policy Framework includes an Enterprise Risk Policy, Enterprise Credit Risk Policy, Enterprise Operational Risk Policy, Enterprise Compliance Management Policy and an Enterprise Market Risk Policy. These policies are designed to serve as the foundation for all major decisions and actions, and all activities are to occur within the boundaries set by them. The Enterprise Risk Policy and the Enterprise Compliance Management Policy are approved annually by the Board Risk Committee. The Enterprise Credit Risk Policy and the Enterprise Operational Risk Policy are approved annually by the Corporate Risk Committee. The Enterprise Market Risk Policy is approved by the Asset/Liability Management Committee.

The Enterprise Risk Policy Framework also includes the need to create appropriate procedures that define the steps necessary to complete tasks within the parameters of the policy. As a part of this need, SunTrust initiated an effort to document procedures for all Mortgage processes (including Risk Management) that includes the following steps:

- Document process maps using standard templates that include identification of process owner, controls, KPIs, KRIs, and technology systems used.
- Perform process walkthroughs and inventory existing policies and procedures to understand fully the current state environment.
- Perform a gap analysis to identify policies, processes and procedures that need to be enhanced or created. Escalate any substantive issues to executive management for immediate resolution.
- Enhance/Create policies and procedures based on the gap analysis using standard templates. Procedures may be documented at a standard or detailed level, as dictated by the complexity and risk of the process.
- Document all remaining gaps, issues, opportunities for review and remediation by the business manager, which is further addressed in Section I-1 of the Risk Assessment Response.
- Establish a procedure governance process that enables business managers to make the appropriate updates based on process or technology changes.

Establishing baseline processes, procedures and controls combined with the creation of a governance process and enhanced risk management practices discussed in other sections will help ensure procedures and controls remain current and relevant going forward.

d) *processes to adequately identify risk levels and trends;*

Consumer Banking risk assessment and measurement processes are designed to regularly identify, assess, measure and report risk levels both as a monitoring mechanism and to evaluate risks in relation to agreed upon risk tolerances. Risk identification occurs through the Risk Control Self Assessment (RCSA) process, detailed risk and control reviews with business owners, discussions about emerging risks and other detection methods. Subsequent measurement and trend analysis occurs in several ways:

1. **Annual RCSA:** This corporate process is designed to identify key risks in the organization. Each identified key risk is rated by likelihood and impact. Risks that rate over the agreed upon risk appetite level (as approved by the BOC) are highlighted and reviewed with management in the Mortgage Operational Risk and Compliance Working Group and Consumer Banking Operational Risk and Compliance Committee. We are currently working to enhance the RCSA process through the BCA process.
2. **Operational and Compliance Governance:** In regular reporting to the Mortgage Operational Risk and Compliance Working Group and the Consumer Banking Operational Risk and Compliance Committee, key risks are reviewed monthly. Risks are rated as red/yellow/green in two categories:
 - a. The Level of Risk: Assesses risk against agreed risk thresholds (where quantifiable) and other subjective factors (e.g., level of uncertainty, reputation and regulatory scrutiny).
 - b. The Program Risk: Reports the overall project status of mitigation plans (e.g., on schedule, adequate resources available).Once a quarter, summary metrics, where quantifiable, with trends are reported to the Working Group and Committee. Tolerances for key risks are set with management based on historical experience and acceptable levels of risk and are approved by the Operational Risk and Compliance Committee.
3. **Business Management Routines:** Business managers report key performance indicators and key risk indicators, usually with trend data, to management. In some cases these are overall reports summarizing all departmental metrics (e.g., the Servicing and Operations Scorecard, Default Operations Overview reports), or in-depth status reports for specific risks (e.g., MERS status, Complaint reports)

As noted in 15-C, reputation risk is not measured directly, but rated high / medium / low in the RCSA and scenario analysis processes.

- e) *processes to adequately identify and control risks arising from incentive compensation programs;*

SunTrust institutionalized a series of processes that identify and control risks arising from Functional Incentive Plans (“FIPs”), including mortgage incentive plans. These processes are based on the Federal Reserve’s Guidance on Sound Incentive Compensation Policies issued in June 2010, as well as further guidance the Federal Reserve provided specifically to SunTrust. The processes described below represent a comprehensive approach to the development, implementation, and governance of Functional Incentive Plans that identifies potential risks upfront during the annual plan review process and governance processes that identify potential risks during the performance period, so that recommended incentive payments reflect the appropriate balance of risk taking. In addition, processes include representation from multiple disciplines such as Human Resources, Finance and Risk Management to further ensure the appropriate level of risk taking and control.

Risk Adjusted Pay for Performance (“RAPP”)

The key objectives of the Risk Adjusted Pay for Performance (“RAPP”) methodology are to determine if SunTrust has any FIPs that could encourage unnecessary or excessive risk-taking and to address any concerns appropriately. The process was developed in 2009 with assistance of two outside consulting firms, TowersWatson and PricewaterhouseCoopers. The process is now institutionalized and integrated into the Annual FIP Review process. Participants in the RAPP review include Human Resources Compensation Consultants, Corporate Risk Management and Finance. The RAPP review evaluates 3 primary risk areas in order to determine an overall risk rating:

- Business Risk is an evaluation of the level of Credit, Market, Operational and Time Horizon risk.
- Job Risk Influence assesses whether the job activities exposes SunTrust to high, moderate or low levels of risk.

- Compensation Plan Risk assesses the level of risk based on factors such as plan metrics, pay mix and payout methodology.

The plans that receive higher risk ratings are subject to a more detailed analysis and evaluation during the Annual FIP review process. The first “RAPP Refresh” was performed during the last half of 2010 for all areas with FIPs to inform the 2011 FIP Designs, and will be completed again in 2011 for 2012 FIPs. The annual RAPP process is described in more detail in Appendix C – RAPP Methodology.

Annual FIP Review and Approval Process

The Company completes an annual review of all FIPs following an established process that includes the following steps:

For all plans:

FIP Design Teams, comprised of LOB (“Line of Business”) plan owners, Compensation, Risk and Finance members, partner as follows:

- Complete a refresh of the RAPP review to confirm Higher Risk plans
- Document the expense and participant trends for Prior Year, Forecasted Current Year, and Forecasted Next Year
- Assess current market information on competitive practices
- Determine changes to the FIP plans as a result of business strategy changes
- Develop plan change recommendations in alignment with revised FIP accountabilities (See Appendix D)
- Obtain approval and sign-off of final plan by the Plan Sponsor, HR Compensation, Finance and Risk and the Plan Owner (LOB Head)
- Prepare and present the LOB FIP Review to the CEO

Incentive Compensation Working Group

One of the primary responsibilities of the Incentive Compensation Working Group is to provide guidance related to incentive compensation, both FIPs and Company level plans. (See Appendix C – FIP Accountabilities Chart). Its members include the CEO, the CFO, the CRO and the CHRO (“Chief Human Resources Officer”). Formalized in March 2010 the group’s objectives are:

- To ensure all incentive compensation plan designs and governance processes follow a consistent and structured methodology and support the safety and soundness of the organization.
- To assess the effectiveness of incentive plans in adhering to the Federal Reserve’s Compensation Guidelines.
- To recommend and monitor projects and initiatives designed to enhance the safety, soundness and effectiveness of the incentive compensation plans.
- To assess the effectiveness of plans in supporting the achievement of business objectives.
- To review and evaluate incentive accruals and cash payments.
- To work with business leadership to evaluate issues, concerns or opportunities related to incentive compensation plans, as requested by the CEO or the Compensation Committee of the Board of Directors.

Incentive Extraordinary Event Tracking Process

As part of SunTrust’s desire to continuously enhance incentive governance, a working group called the “Event Tracking Discussion Group” was formalized in March 2011 to help identify and track substantive risk-related events in a consistent and timely manner. This team reports identified events to executive management so that management can consider the incentive compensation impact associated with identified key events. The process for the Event Tracking Group is described below:

- The Event Tracking Group discussion will be a standing quarterly meeting.
- The Corporate Controller and Assistant Director Compensation will convene discussions with the “Event Tracking Discussion Group” to ensure significant risk-related events are identified, discussed and tracked.
 - Each member of the team is responsible for identifying and presenting events and supporting information from their respective areas.
 - The team consists of representatives from Risk Management, Audit, Corporate Compliance, Legal, Finance and HR Compensation.
 - The Group discusses the issues and their perspective of the significance of the event.
- Events are summarized and discussed with the Incentive Compensation Working Group (formerly the FIP Working Group, comprised of the CEO, the CFO, the CRO, and the CHRO (“Chief Human Resources Officer”) for discussion and incorporation into the quarterly incentive accrual review.
- In the February 2012 Incentive Compensation Working Group meeting, recommendations will be finalized on the impact to incentive plans/accruals and/or any impact to a plan participant(s) incentive award as a result of any significant risk event identified.
- The Compensation Committee is updated at the next scheduled meeting (February 2012).
- The Incentive Compensation Working Group communicates to the LOB Heads of each impacted area and accruals and/or individual incentive awards are adjusted accordingly.

Involvement of Compensation Committee in FIP Governance

The Compensation Committee is actively involved in monitoring the effectiveness of incentive arrangements in balancing risk-taking incentive. The schedule for 2011 can be found below. It should be noted that the process outlined below is repeated on an annual basis.

<i>January 2011</i>	<ul style="list-style-type: none"> • Review of higher priority FIPs 2010 planned payments and performance
<i>February 2011</i>	<ul style="list-style-type: none"> • CRO risk review of executive and functional incentive plans • Review and approve 2011 MIP • Review and approve 2011 LTI plans
<i>March 2011</i>	<ul style="list-style-type: none"> • Review and approve post-TARP Named Executive Officers (“NEO”) award levels and values • Review and approve 2011 NEO long-term incentive program features
<i>April 2011</i>	<ul style="list-style-type: none"> • Overview of Incentive Extraordinary Event Tracking Process
<i>June 2011</i>	<ul style="list-style-type: none"> • Overview of 2010 LOB FIP Compensation and Higher Priority Plans <ul style="list-style-type: none"> – Summary FIP Expense and Associated Financial Results – Audit Findings and Management’s Response • Additional FIP Design Work Under Development for 2012
<i>August 2011</i>	<ul style="list-style-type: none"> • CRO risk review of executive and functional incentive plans • Overview of 2012 FIP Design Process and Annual Review Process • Update on Federal Reserve Requirements • 2011 mid-year MIP and FIP accrual summaries
<i>November 2011</i>	<ul style="list-style-type: none"> • Review summary of changes for the 2012 Higher Priority FIPs
<i>December 2011</i>	<ul style="list-style-type: none"> • 2011 MIP and FIP accrual summaries
<i>January 2012 or February 2012</i>	<ul style="list-style-type: none"> • Review activity reports from Significant Events Tracking Group

f) *processes to document, measure, assess, and report key risk indicators;*

Documentation of measurement, assessment and reporting on key risk indicators are the same as risk levels and trends described in section 16-D. Consumer Banking risk assessment and

measurement processes are designed to regularly identify, assess, measure and report risk levels both as a monitoring mechanism and to evaluate risks in relation to agreed upon risk tolerances. Risk identification occurs through the Risk Control Self Assessment (RCSA) process, detailed risk and control reviews with business owners, discussions about emerging risks and other detection methods.

As described in section 15-A, the Consumer Banking Operational Risk Plan, which establishes the requirements for Consumer Banking's Operational Risk Program (including residential mortgage loan servicing, loss mitigation, and foreclosure operations), requires the utilization of risk metrics and the establishment of thresholds, or limits, for those metrics. The risks that are required to be monitored are operational risks with compliance and legal risk components. Consumer Banking's Operational Risk Program document, describes that thresholds for each key risk are established and are presented to the Operational Risk and Compliance Committee ("ORCC") for approval annually. Key risk metrics compared against the approved thresholds are reported to the ORCC quarterly. Key risks, related metrics, and thresholds maybe reported to the Corporate Risk Committee ("CRC") and Board, as appropriate. The escalation process is further described in section 16-H.

Annual approval of the key risk metrics for 2011 occurred on October 21st. Eighteen key risks are currently tracked for the mortgage business. Examples of key risks include but are not limited to MERS Process Adherence and Supplier Risk, Foreclosure Timeliness, and Loss Mitigation. After a key risk has been identified, metrics are identified or created and thresholds established. Key risk and associated metrics are reviewed in the Operational Risk and Compliance Committee noted above.

g) *controls to mitigate risks;*

SunTrust has a methodology in place to document, assess and test controls to mitigate risks. Controls are documented for each organizational component on a Control Matrix, as defined by Corporate Risk Management. The matrix includes the risk, control, a designation of Key/Non-Key control type, an assessment of the control (adequate, needs improvement, inadequate) and a test script. Test scripts are written for key controls by Operational Risk Management and self tested by business areas annually. Control Matrices are stored on the Retail Lending Guide along with related procedures.

As part of the risk assessment process facilitated by Operational Risk and outlined in the Consumer Banking Operational Risk Program, controls are reviewed and updated annually. This is described in the BCA process documented in the Operational Risk Program and in Section 16-I below. In that process, controls are self tested and then evaluated considering both test results and management judgment. Controls are rated as effective or needs improvement. The intent is that testing and management judgment, combined with critical evaluation by the ORM team, will identify risks and control weaknesses and drive mitigation actions. Action items are documented as appropriate. A sample control matrix is included in Appendix A – Diagram 5.

New controls may be developed and implemented at any time. These could be self identified by management or triggered by some type of review by others (e.g., SAS, investor audits, customer complaints). Processes, technology, procedures and controls are updated as required. New controls are added to the test plans.

h) *procedures for the escalation of significant matters related to risks to appropriate senior officers and board committees;*

Risk reporting and issue escalation from the Consumer Bank to the Risk Committee of the Board ("BOC") occurs through a hierarchy of regularly scheduled communications and formal committee meetings as outlined in this section.

Consumer Banking Operational Risk and Compliance, whose responsibilities include Mortgage, conduct risk focused meetings to discuss and escalate significant matters to business executives, business managers and to Corporate Compliance, Corporate Operational Risk, and Legal executives. Corporate Compliance and Corporate Operational Risk Officers participate in these business meetings and receive the materials, as well. Corporate Compliance and Corporate Operational Risk Officers are responsible for reporting key risks and issues to the Corporate Risk Committee (“CRC”) and to the Risk Committee of the Board. The Consumer Bank Risk Reporting structure can be found in Appendix A - Diagram 4.

Every month, a **Mortgage Operational Risk and Compliance Working Group** meeting is conducted to discuss and communicate existing or emerging compliance and operational risks with a cross functional team. The working group is a forum for Mortgage business and risk professionals to discuss key risk issues and related action plans while promoting sound risk management. The meeting is primarily informative and to receive feedback and agreement on plans. The objective is a forward looking and proactive discussion of key risk issues. Agenda items may include:

- Discussion of emerging and key risks and status of action plans
- Discussion of compliance testing results and major compliance initiatives
- Major operational issues
- Review of major recent and planned activities (e.g., new product approvals, audits)
- Status of mandatory training programs

The **Operational Risk Forum** is a cross functional forum to discuss common methodologies and risk issues across business areas. Meeting minutes are not maintained for this forum. Agendas will vary by meeting, but will include items such as:

- Discussion of new policies, methodologies or processes
- Common risks (e.g., EUC controls, procedure development, privacy, business continuity)
- Communication of planned risk-related efforts (e.g., annual control updates, control testing, annual training plan)

The **Consumer Banking Compliance Working Group** is a cross functional forum led by the Consumer Banking Compliance Manager that meets monthly to discuss upcoming regulatory changes and related action plans to mitigate current risks or those from upcoming changes. The meeting is primarily informative to ensure coordination among the various parties. Agenda items may include, but not be limited to:

- Discussion of upcoming regulatory changes
- Status updates on current initiatives to implement regulatory changes
- Review of current systems priorities related to compliance
- Recent changes that have been implemented

The Monthly Mortgage Operational Risk and Compliance Working Group, Consumer Banking Compliance Working Group and the Operational Risk Forum provide venues for communication and discussion that are leveraged for the content of the Operational Risk and Compliance Committee (“ORCC”).

The ORCC is a cross functional senior forum in place to discuss key risk issues, promote sound risk management in Consumer Banking and approve related policy guidelines. While primarily informative, the Committee may be asked to make prioritization or resource decisions on risk issues as appropriate. The objective is a forward looking and proactive discussion of key risk issues. The Committee has the authority to approve operational risk and compliance Level IV policies for Consumer Banking as illustrated in Appendix A, Diagram 2. Agenda items may include:

- Review of key risks and issues, resulting from RCSA and other risk monitoring.
- Update regulatory compliance issues.
- Review and approval of scenario analysis and results.

- Discuss new policy guidelines, methodologies or processes.
- Review new products approved by the Consumer Banking Product Risk Approval Committee (“CBPRAC”) and the pipeline.
- Prioritize decisions on emerging risks or issues as applicable.
- Discuss any individual risk category or other special topic related to operational risk or compliance.
- Review of status, progress and results of open CFPB and Federal Reserve exams.
- Review significant new regulations that require management attention.

In addition to the structure of working group and committee meetings described above, Corporate Compliance maintains an enterprise-level Issues Tracking Database in which business units (including Consumer Banking) are required to record significant compliance-related matters. Issues tracked include identified gaps in compliance processes, pending or current regulatory changes, matters resulting from examinations or internal audits, or other significant matters related to compliance risk. Issues are risk-rated and include a description of action plans, monthly status updates and projected completion dates. The Corporate Compliance Manager and Consumer Banking Compliance Manager meet monthly to review and discuss all open compliance issues in the Consumer Banking area. As required under the Enterprise Compliance Management Policy, issues rated Medium or High risk are reported monthly to the Corporate Risk Committee, and High risk issues are also reported to the Board Risk Committee.

The Corporate Compliance Officer and the Corporate Operational Risk Officer are members of the Corporate Risk Committee (“CRC”). Issues from Consumer Banking are escalated to the CRC through reporting. Per the charter, the CRC, chaired by the CRO, shall:

- Review, discuss, ratify and/or approve, as appropriate, summary findings pertaining to the Company’s ongoing credit risk, market risk, liquidity risk, operational risk, reputational risk, compliance risk and legal risk management activities and committees;
- Review, discuss, ratify and/or approve, as appropriate, any other risk issues the Committee may become aware of at any time;
- Review, discuss, ratify and/or approve, as appropriate, risk policies that are within its purview;
- Assist the CRO in maintaining a comprehensive perspective of existing and prospective risks, an effective enterprise risk management framework and oversight of risk processes. The members of the committee shall promptly inform the Committee and/or the CRO of any emerging risks as they emerge.

The CRO identifies significant risk management issues at CRC that should be presented for review by the Risk Committee of the Board of Directors. The Chairman of the Risk Committee, in consultation with the CRO, defines the agenda for the Risk Committee of the Board of Directors. See Section 16(a) for a description of the enterprise risk governance process, including the Board Risk Committee.

- i) *the scope and frequency of comprehensive risk assessments;*

The SunTrust risk assessment methodology has two primary components:

1. The annual Risk and Control Self Assessment (“RCSA”) process as part of the Corporate Operational Risk Management Program focusing on reporting key risks in the business and related quantitative ratings of impact and probability.
2. A more detailed Business Control Assessment (“BCA”) process, which evaluates risks and controls in each functional area.

Findings from either process or any other source may create or modify the key risk list.

Corporate RCSA

The Corporate RCSA process is conducted annually. ORM meets with various business areas and updates the key risk list identifying the most important risks. Updates are made periodically as conditions change. Key risks are reviewed by the ORC Working Groups and ORCC each quarter. The assessment includes:

1. Identifying key risks;
2. Assessing those key risks;
3. Assessing overall control environment in the LOB;
4. Identifying action plans where controls are deemed inadequate or have opportunities for improvement and monitoring action plans for progress;
5. Providing the deliverables to CORM for evaluation of completeness and reasonableness; and
6. Reviewing final RCSA results with LOB/function head.

The final deliverable for the RCSA includes: the key risk list, a risk plot, a risk trend, risk initiatives and the key risk ranking. A standardized reporting template – the RCSA Final Report – developed by CORM is used to document the final results. The final report is reviewed in the Mortgage Operational Risk and Compliance Working Group and Operational Risk and Compliance Committee.

Business Control Assessment

In the detailed Business Control Assessment process, a more expansive review is performed each year. The BCAs are scheduled throughout the year to balance workload. There are three levels of BCAs depending on risk in an area, priorities and resources:

- Level 1 (In Depth BCA): Applied to high risk areas. The process includes review of related background information, review and update of controls, assessment of procedures and key risk indicators, and ratings of risks and related controls. Level one reviews include a review after six months of progress and any changes to see if controls, assessments and/or plans require updating.
- Level 2 (Standard BCA): This is limited to updating controls, completing the ORM Checklist, and with the business rating the risks and controls.
- Level 3: This is for areas with few or no control responsibilities, typically low risk areas. The review is limited to a brief review of controls, if applicable, and reviewing the ORM Checklist.

A summary report will be issued for all types of BCAs. The criteria to rate risk in individual areas and the BCA process is described in more detail in the Consumer Banking Operational Risk Program document.

The BCA methodology described above is new and currently being piloted through the remainder of 2011. This was a previous commitment in Article 8 and 9 of the Consent Order. Additional details can be found in the Consumer Banking Operational Risk Program document, referred to in Section 15-A of the Risk Assessment Response.

Furthermore, ORM will assemble a plan of the BCA and Operational Assurance process annually and share with the respective business areas. Plans are continually subject to change based on current priorities and this process review was last performed in September 2011.

Enterprise Compliance Management

Regulatory Compliance risk is assessed in a separate process called Enterprise Compliance Management (“ECM”). The annual ECM schedule is set in conjunction with Corporate Compliance, and while each ECM is facilitated by Consumer Banking Compliance, the ECM Program is owned and directed by Corporate Compliance. This group is responsible for maintaining the master ECM matrix of applicable regulations and requirements for Servicing and Default, along with an inventory of key controls to ensure compliance. A periodic assessment is conducted by Consumer Banking Compliance along with the LOB to validate the documented regulatory requirements and controls, and to evaluate the design and effectiveness of controls. Any recent testing results are included in

the assessment. The last Servicing and Default assessments were performed Q2 of 2010 and the next assessments are scheduled for completion in Q4 2011.

- j) *a formal method to ensure effective communication of established risk management policies, procedures, and standards to all appropriate business line and other staff;*

Over the next 12 months, our internal communications processes will be improved. This work will address organization issues to allow us to standardize and centralize communication teams, ensure better planning and coordination across business units, improve the quality and effectiveness of the communications, and re-train managers regarding risk messaging provided to teammates under their supervision. This work is as much structural change as it is cultural change.

[REDACTED]

[REDACTED] Therefore by December 2011, all current Mortgage policies, processes, procedures, KPIs, KRIs, and controls will be updated with the appropriate level of detail using standard templates. This effort includes all Mortgage departments: Default, Servicing, Origination, and Support groups (including risk management).

Going forward, all documentation will reside in a central repository and allow visibility for all teammates. A new Process and Procedure Resource Group will be implemented to govern changes to documents and support the linkage to communication and training teams. This linkage will ensure that the appropriate teams know when changes occur and can effectively communicate to impacted teams.

By February 2012, we will fully implement a training and governance plan that supports business manager accountability for owning, updating, and certifying process, procedures, and controls as current. Business managers will also be accountable for keeping their staff informed of procedure changes.

By March 2012, we will establish a governance plan for communication teams that clarifies and strengthens their roles. We will develop new governance and oversight that supports effective communication development, builds standard communication templates, establishes writing style standards, and develops a central planning calendar.

By June 2012, we will complete an organizational alignment project that supports centralization of communication teams and consolidates all activity with approved authors. The internal web-pages will be redesigned and new web-governance will ensure content remains current.

By September 2012, we will complete comprehensive training for all managers on their role. This training will build upon the training we conducted earlier in the year on process and procedure management. Managers will receive tool kits that equip and empower them for effective communication to their teams. This will outline the expectations for risk mitigation and support strong teammate engagement.

While the revised communication plan is being fully implemented, SunTrust has improved the organization of all the projects working on improvements for Default operations. Loan Servicing will maintain current processes for communications. We've added resources that support better, faster implementation, including dedicated teammates for communications. The communications team will ensure coordinated and consistent communications about changes including updates to procedures. This team will act as an interim solution until we can fully develop a robust communications model for the Mortgage business.

k) *periodic testing of the effectiveness of the risk management program; and*

SAS will evaluate the effectiveness of the risk management program consistent with standards promulgated by the Institute of Internal Auditors (IIA), the Federal Reserve Bank, and the International Organization for Standardization – ISO 31000 Risk Management Standardization. Specifically, SAS will independently assess whether risk management has been applied appropriately to all servicing, loss mitigation, foreclosure, bankruptcy, MERS, vendor management, SPC, and training operations. Risk factors evaluated by SAS will include operational risk, legal risk, reputation risk, credit risk, and compliance risk. SAS will evaluate the effectiveness of processes for identifying these risk factors, analyzing them, mitigating them, and communicating risk issues across the organization.

Furthermore, as outlined in the “Testing Strategy Policy,” effective January 1, 2012, Corporate Oversight Testing will be in place to independently test risk management activities:

Excerpt from “Testing Strategy Policy” Roles and Responsibilities

Corporate Oversight Testing Team/Corporate Operational Risk Management

“Responsible for performing independent Oversight Testing (OT) of risk management activities to ensure compliance with external regulations and internal policies. Oversight will include compliance, AML and other risk management activities. This includes establishing a governance program that defines the testing strategy, provides minimum requirements, as well as on-going guidance. Corporate Oversight will provide oversight by performing independent testing of the 1st Line’s QA and QC procedures. This will include independent samples and testing as well.”

l) *the findings and recommendations of the independent consultant described in paragraph 13 of this Order regarding risk management.*

Our intent is to address the recommendations of the independent consultant described in Section 13 of the Consent Order in a separate document provided in Appendix F. The response is organized to clearly articulate our response and the supporting plan. Accordingly, based on the structure of the report, we have organized our response in the same order as the report:

- Governance, Risk Management and Compliance Program
- Servicing Operations
- Collections Operations
- Loss Mitigation Operations
- Bankruptcy Processing
- Foreclosure Processing
- Management Information Systems
- Legal Processes and Support

Each recommendation has been assigned a unique identification number, a title and alignment to the report section. The action plan provides the key outstanding actions, completion dates, and resource responsibilities that are required. In the event that a recommendation has already been satisfied, an action plan is not provided.

1.6 Consent Order – Risk Management Action Plan

The following action plan addresses identified areas for enhancement and is designed to ensure a comprehensive Compliance Program is established for Mortgage Servicing, Loss Mitigation and Foreclosure. This section outlines the action plans for section 15a through c, and 16a through k.

Reference	Assigned To	Action Item / Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)
15-B.1		Enhanced Consumer Operational Risk Program documents for supervisory guidance	Consumer Banking Operational Risk Program document is updated for Supervisory Guidance Responsibilities.	Complete - September 2011
15-B.2		Enhanced Consumer Compliance Program documents for supervisory guidance	Consumer Banking Compliance Program document is updated for Supervisory Guidance Responsibilities.	November 2011
16-A.1		Regulatory oversight responsibilities of the Risk Committee of the Board of Directors ("BRC") amplified in the BRC Charter	Revised BRC Charter approved by Board of Directors	Complete – June 2011
16-A.2		A segment of each monthly BRC meeting (Compliance Executive Session) is dedicated to the review of regulatory matters, including updates regarding Consent Order activities. Quarterly, there is a detailed review of material Mortgage work streams, staffing levels and resource availability.	BRC/Compliance Agendas, Minutes; BRC/Compliance binder materials (monthly) – Restricted Distribution	Complete – June 2011 (Ongoing)
16-A.3		Periodically, selected Consent Order work streams are subject to separate review to enhance BRC members' understanding of critical issues	Detailed BRC/Compliance Work Stream Update Schedule/Modules (began in July 2011)	Complete – July 2011 (Ongoing)
16-C.1		Document all process and procedures for all Mortgage business units in standard format and with appropriate level of detail	Process Maps and Procedures for all Mortgage business units.	December 2011
16-C.2		Implement procedure governance process for the new/enhanced process maps and procedures.	Document outlining the procedure governance process to include roles and responsibilities.	December 2011

Reference	Assigned To	Action Item / Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)
16-I		Complete pilot testing of BCA approach	Issued assessment reports	December 2011
16-J.1		Document all current mortgage policies, procedures, KPIs, KRIs, and controls	Documentation of all mortgage policies, procedures, KPIs, KRIs, and controls	December 2011
16-J.2		Implement training and governance plan for all new mortgage policies, procedures, KPIs, KRIs, and controls	Governance charter and training plan	February 2012
16-J.3		Implement governance plan for communications on new mortgage policies, procedures, KPIs, KRIs, and controls	Enhanced governance charter and communications plan	March 2012

1.7 Consent Order – 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 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 Risk Management 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.

2.0 Glossary

Acronym	Definition
A.D.D.I.E	Assessment, Design and Develop, Implement, Evaluate
ALCO	Asset Liability Committee
AOI	Affidavits of Indebtedness
BCA	Business Control Assessment
BOD	STI Board of Directors
BRC	Risk Committee of the Board of Directors
CB	Consumer Bank
CBO	Consumer Banking Operations Group
CBSMP	Consumer Banking Supplier Management Program
CCO	Client Centric Originations
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHRO	Chief Human Resources Officer
CRC	Corporate Risk Committee
CRO	Chief Risk Officer
ETRM	Enterprise Technology Risk Management
EUC	End User Computing
FIP	Functional Incentive Plan
FRB	Federal Reserve Bank
FTE	Full Time Equivalent
ILT	Instructor Led Training
KPI	Key Performance Indicator
KRI	Key Risk Indicator
LOB	Line of Business
LPS	Loan Processing Services is vendor of MSP
OFT	Online File Transfer
OJT	On-the-Job Training
ORCC	Operational Risk and Compliance Committee
ORM	Operational Risk Management
PWC	PriceWaterhouseCoopers
QA	Quality Assurance
QC	Quality Control
RAPP	Risk Adjusted Pay for Performance
RCSA	Risk and Control Self Assessment
SAI	Servicer Alignment Initiative
SAS	SunTrust Audit Services
SCM	Supply Chain Management
SLA	Service Level Agreement
SME	Subject Matter Expert
SPC	Single Point of Contact
SRM	Supplier Relationship Management
STM	SunTrust Mortgage
STU	SunTrust University
TQA	Technical Design and Quality Assurance
WBT	Web Based Training

3.0 Risk Management Appendix A – Reference Diagrams

Diagram 1: Overall Structure of Policies Governing Operational Risk and Compliance

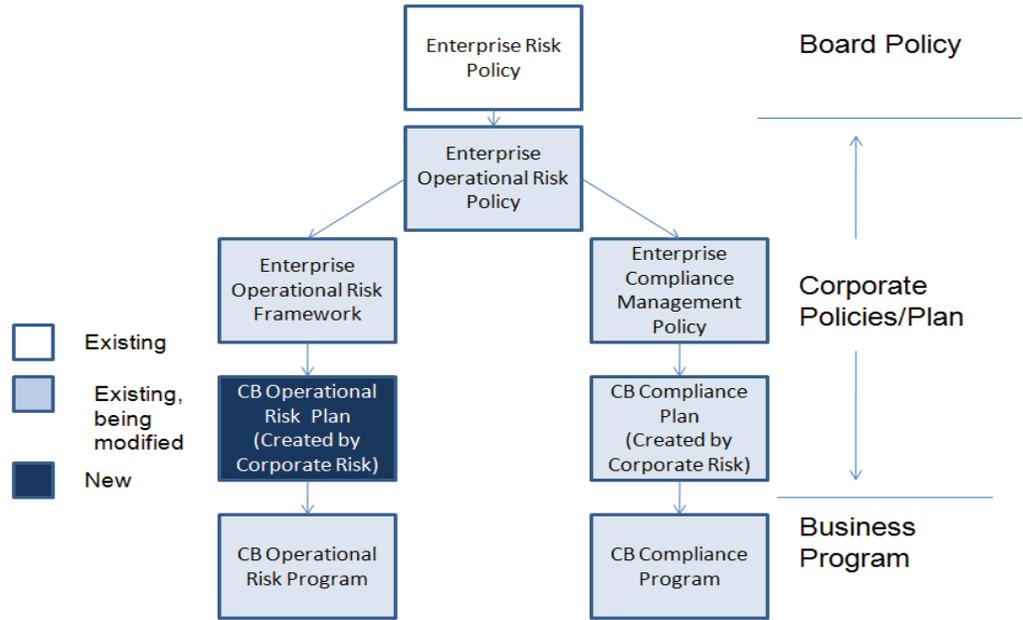


Diagram 2: Enterprise Risk Governance Process

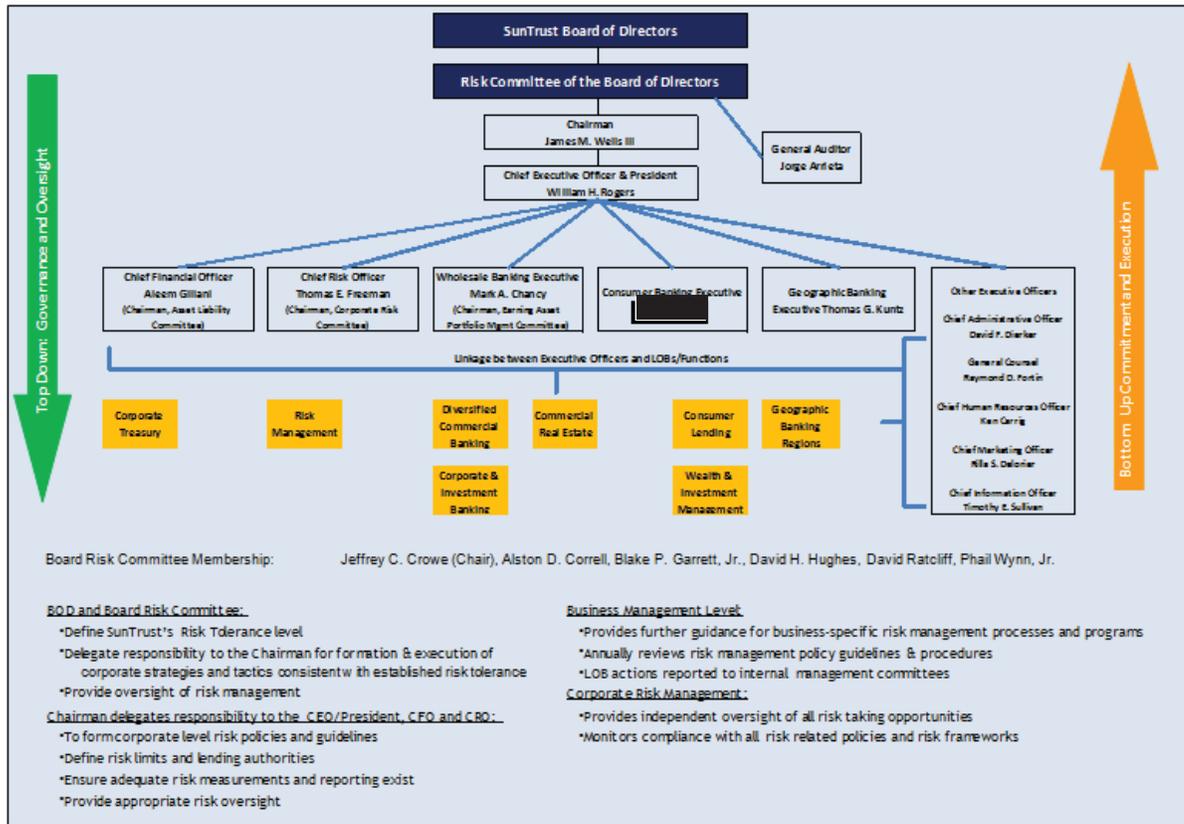
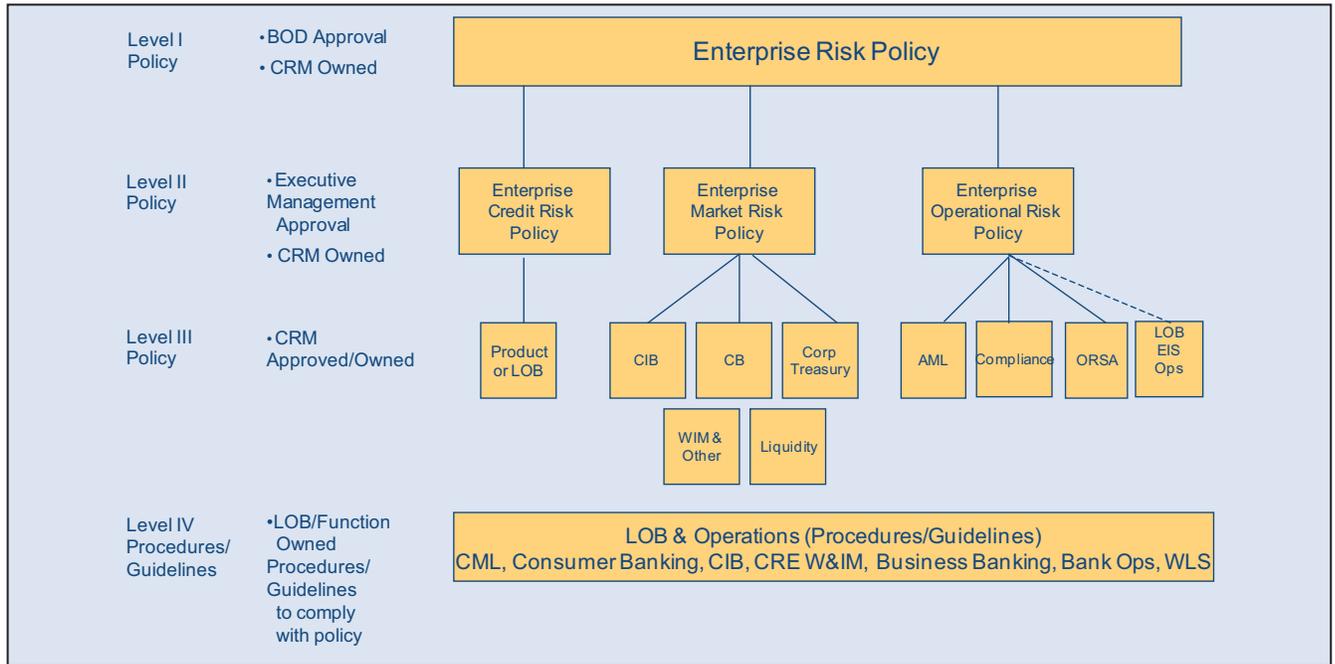


Diagram 3: Enterprise Risk Policy Framework



LOB: Line of Business; CIB: Corporate and Investment Banking; CB: Diversified Commercial Banking; CML: Commercial; WIM: Wealth and Investment Banking; AML: Anti-Money Laundering; ORSA: Operational Risk Strategy Assessment; EIS: Enterprise Information Services; WLS: Wholesale Lending Services

Diagram 4: Consumer Bank Risk Reporting Structure





Diagram 5: Sample Control Matrix

Entity Level 1	Entity Level 2	Entity Level 3	Procedure Name	Risk Category (Level 3)	Risk	Control Number	Control	Key Control	Category	Test Procedure	Control Rating	Preventive/Detective	Type
Consumer Banking	Default	Home Preservation Client Representative	N/A	R7106Operational - Policies and Procedures		1		Key	Operational			Preventive	Manual
Consumer Banking	Default	Home Preservation Client Representative	EUC Policy	R7103Model / System Misuse		2		Key	Operational			Preventive	Manual
Consumer Banking	Default	Home Preservation Client Representative	CB-MTG-HPCR-100 Inbound/Outbound Call Flow	R4101Breach of Privacy / Misuse of Confidential Information		3		Key	Compliance			Preventive	Automated
Consumer Banking	Default	Home Preservation Client	ALL	R7301Customer Intake and Documentation		4		Key	Operational			Detective	Automated
Consumer Banking	Default	Home Preservation Client	ALL	R7301Customer Intake and Documentation		5		Key	Operational			Detective	Manual

4.0 Risk Management Appendix B – RAPP Methodology

Background

The original Risk Adjusted Pay for Performance (“RAPP”) study was initiated by STI senior management in September 2009, to review risk within compensation practices as part of an effort to augment the Company’s ongoing risk-adjusted pay for performance framework for employee compensation plans. We initially approached this project intending to ensure compliance with TARP requirements but later expanded it to also ensure consistency with the Federal Reserve guidelines.

The original RAPP was performed in phases during Q4 2009 – Q1 2010. Phase 1 included CIB, PWM and Mortgage. Phase 2 included all remaining areas with Functional Incentive Plans (“FIPs”). SunTrust decided to incorporate the RAPP methodology into its Annual FIP Review process beginning with the 2010 planning season for the 2011 performance period. The first “RAPP Refresh” was performed during the last half of 2010 for all areas with FIPs to inform the 2011 FIP Designs. Process steps are shown below.

Objective

The key objectives of the RAPP methodology are to determine if SunTrust has incentive plans that could encourage unnecessary or excessive risk-taking and to address any concerns appropriately.

Participants

Those participating in the RAPP review include Human Resources Compensation Consultants and Corporate Risk Management. The work is allocated to subject matter experts who support each area.

Process Overview to Refresh RAPP Study Annually

Step 1: LOB Decomposition

Step 2: Inherent Business Risk, Mitigating Controls, and Net Business Risk Assessments

Step 3: Job Risk Influence Assessment & Rating

Step 4: Compensation Plan Risk Assessment

Step 5: Final Risk Categorization

Step 6: Follow Up Action Determination

Process Details

Step 1: LOB Decomposition

Within each of the targeted business units, it is recognized that certain sub-lines of business and/or discrete functional areas have very different products/services, risk profiles and control environments. In order to appropriately consider the risk environment for each of these business areas, risk assessments are applied at the sub-lines of business or functional level.

Step 2: Inherent Business Risk, Mitigating Controls, and Net Business Risk Assessments

- In conducting the review of Inherent Business Risk, relevant information is derived from interviews and existing STI management reports. Evaluations of risk represent “point in time” analyses given current market and credit conditions. Corporate Risk Management performs this step. Data points incorporated into the assessment process include, but are not limited to, the following:

Risk Category	Risk Elements	Element Definition	Illustrative Indicators and Other Considerations
Credit Risk	Concentration Risk	The risk that the bank's exposure to one or more characteristic results in a charge to capital.	<ul style="list-style-type: none"> • Large single borrower exposures • Average transaction size • Transaction complexity • Exposure by industry, geography and collateral • Concentration by vintage year • Concentrations/trends by risk rating or FICO • Delinquency, NPA and Net Charge Off trends • Economic Capital allocated to LOB • Vintage Analyses • Changes in underwriting standards • PD, LGD and EL trends • Q Report assessments
	Counterparty Credit Risk	The risk that the counterparties to derivative transactions or agreements with the bank fail to meet their obligations, potentially resulting in a charge to capital.	
	Default Risk	The risk that customers of the bank's credit products default on their financial obligations as outlined by the terms of the contract, potentially reducing the bank's capital position.	
Market Risk	Price Risk	The risk that changes in the prices of a product potentially reduces the bank's capital position (e.g., Equities, FX, Commodities)	<ul style="list-style-type: none"> • Transaction complexity • Market demand and liquidity • VaR and Stress Testing • Earnings at Risk • Market Value of Equity • Fund Transfer Pricing • Risk Adjusted Spreads • Economic Capital allocated to LOB • Historical losses • Q Report assessments
	Interest Rate Risk	The risk that an investment's value will change due to changes in interest rates, in the spread between two rates, in the shape of the yield curve or in other interest rate relationships.	
	Liquidity Risk	The risk of being unable to meet the Bank's current obligations and future cash flow requirements, either expected or unexpected, without adversely affecting its operations or financial condition.	
Operational Risk	Clients, Products & Practices	Losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements), or from the nature or design of a product.	<ul style="list-style-type: none"> • Portfolio Quality Rating • ORSA Process Rating • Fraud potential • Compliance risk • Historical losses • Internal Audit Report findings • Q Report assessments
	Fraud	Losses due to acts of a type intended to defraud, misappropriate property or circumvent the law, by an internal or third party.	
	Execution, Delivery & Processes	Losses from failed transaction processing, data quality or process management, from relations with trade counterparties and vendors.	

Time Horizon	Maturity Risk	The risk that a deterioration in expected credit losses beyond a one-year horizon negatively impacts the bank's capital position.	<ul style="list-style-type: none"> • Duration • Maturity Buckets
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- For Mitigating Controls, business and risk management representatives discuss how inherent business risks are remediated by STI control practices. Internal documents (primarily internal audit reports and Q Reports) are used to understand the effectiveness of these controls. The impact of Mitigating Controls on Inherent Business Risk is subjectively determined with no formal weighting. Ratings reflect evaluation against STI policies, oversight, segregation and measures, and do not reflect detailed review of practice against these guidelines.

Category	Element	Higher Risk	Moderate Risk	Lower Risk
Mitigating Controls	Risk Policies	<ul style="list-style-type: none"> • Risk policies either do not exist or are not comprehensive 	<ul style="list-style-type: none"> • Risk policies and guidelines are relatively comprehensive but not necessarily contain sufficient risk measures or limits 	<ul style="list-style-type: none"> • Well-communicated policies with clear articulation of risk appetite cascaded down to business level with limits and guidelines set accordingly
	Risk Oversight	<ul style="list-style-type: none"> • Lack of independence from business • Inappropriate delegation of authority 	<ul style="list-style-type: none"> • Segregation of risk oversight responsibilities from business origination but not completely independent 	<ul style="list-style-type: none"> • Strong independent oversight and monitoring function with the authority and requisite expertise needed to make and enforce decisions
	Segregation of Duties	<ul style="list-style-type: none"> • Multiple jobs within the business production processes are performed by a unique group or individual 	<ul style="list-style-type: none"> • Not Applicable 	<ul style="list-style-type: none"> • All steps within the business production processes are performed independently of each other
	Risk Measures	<ul style="list-style-type: none"> • Risk measurement and analytics based only on commitments and/or outstandings 	<ul style="list-style-type: none"> • Measures are in the process of being developed to capture loan equivalence and exposure potential 	<ul style="list-style-type: none"> • Risk measurement and analytics based on loan equivalence, potential utilization and potential risk
	Performance Measures	<ul style="list-style-type: none"> • Profitability measures are not risk adjusted and based only on revenues, net income, etc. 	<ul style="list-style-type: none"> • Profitability measures have begun to incorporate some risk adjusted metrics but are not consistently applied across the company 	<ul style="list-style-type: none"> • Profitability measures are risk adjusted, linked to overall business objectives and consistently applied across the company

- The Inherent Business Risk and Mitigating Controls results are considered together to develop a Net Business Risk Assessment result. However, it is important to note that a “Higher” inherent business risk is not intended to be reduced to a “Lower” net business risk even with strong mitigating controls present.

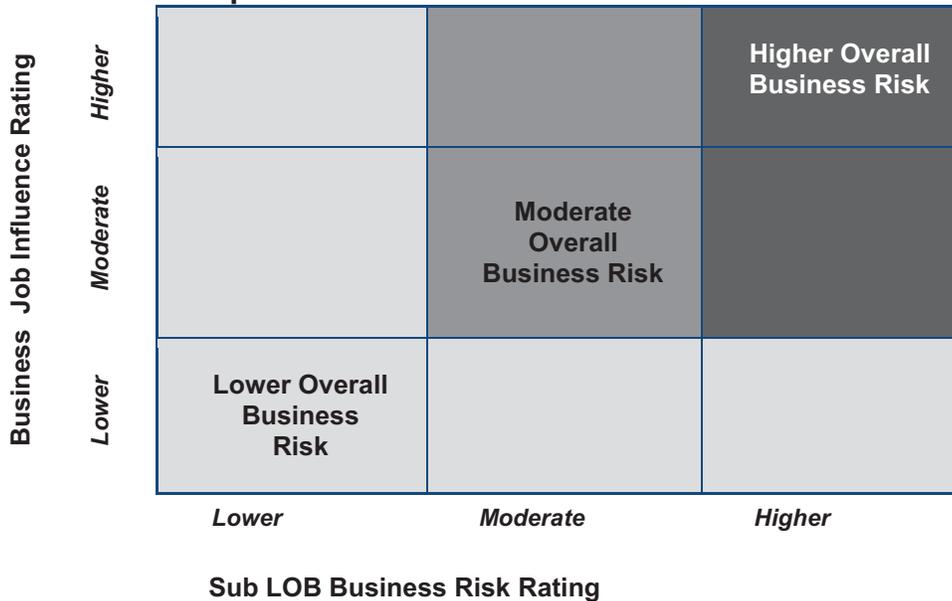
Step 3: Job Risk Influence Assessment & Rating

HR Compensation provides FIP job listings and descriptions to CRM. Jobs considered in scope for this review include managers and non-managers whose individual activities expose STI to material amounts of risk and groups of employees whose activities in the aggregate, expose STI to material amounts of risk. Within each LOB, job influence levels are rated based on position level, descriptions of duties and defined scope of authority compared to other roles. Corporate Risk Management and HR Compensation perform this step jointly. After joint discussion, a level-set agreement is reached verbally, and then CRM rates each job per below:

Rating	Rating Description
Higher Influence Rating	Commits STI to individual or aggregate transactions that have substantial capital risk, risk beyond the payout period, or that include reputational/client solutions risk
Moderate Influence Rating	Provide support to senior leadership with significant business authority or creates tools that enable important business actions
Lower Influence Rating	Activities have business risk limited in time, breadth or capital

Next, individual jobs are arrayed in an interim “9-box” which is later used in determining the overall Risk Assessment (Step 5) with the additional consideration of Compensation Plan Risk (Step 4).

Sample Interim 9-Box Graphic



Step 4: Compensation Plan Risk Assessment

Functional Incentive Plans are evaluated for compensation risk using Evaluation Criteria and Risk Assessment Standards derived from the original RAPP methodology. Based on the Compensation Consultant’s specialized knowledge of each FIP, the criteria and standards are considered and then one overall compensation plan rating is assigned. This rating will be used in Step 5. HR Compensation Consultants perform this step. The table below lists the original criteria and standards:

Assessment Category	Rating	Evaluative Commentary
Incentive Plan Metrics	(H / M / L)	<ul style="list-style-type: none"> • Primary Metric • Other Balancing Metrics • Link to Corporate Results
Pay Mix	(H / M / L)	<ul style="list-style-type: none"> • % of TDC delivered in incentives • Long-Term Incentive Allocation (as % of TDC)
Incentive Pay Determination Methodology	(H / M / L)	<ul style="list-style-type: none"> • Incentive Dispersion • Cap • Funding Threshold • Payout Timing • Performance Period • Clawback / Forfeiture Mechanism
Plan Design & Award Oversight	(H / M / L)	<ul style="list-style-type: none"> • Documented pay philosophy exists • Plan oversight structure has defined approval and escalation processes • Performance data and payout calculations reviewed centrally to ensure accuracy and appropriateness • LOB, Finance, Risk, and HR / Compensation involved in design process, each with clearly defined roles and accountabilities • Designs modeled to test sensitivity of payouts under various performance scenarios • Effective plan documentation • Effective plan communication
Overall Incentive Plan Compensation Risk Rating	(H / M / L)	

Step 5: Final Risk Categorization

To determine the final RAPP category for each job, the job influence risk rating and the compensation plan risk ratings are mapped on the “Final 9-Box” at the intersection of Business Risk and Compensation Plan Risk like per the diagram below:

Final RAPP Rating 9-Box Graphic

Business Risk	<i>Higher</i>	Category 3	Category 1	Category 1
	<i>Moderate</i>	Category 3	Category 2	Category 1
	<i>Lower</i>	Category 3	Category 3	Category 2
		<i>Lower</i>	<i>Moderate</i>	<i>Higher</i>
		Compensation Risk		

Plans that cover Category 1 jobs undergo further review and actions.

Step 6: Follow Up Action Determination

- Discuss results and material changes from prior RAPP as a group (study participants)
- All changes to risk ratings are summarized on the Work Plan, for communication to Senior Management.
- HR Compensation Consultants carry forth the RAPP Refresh results into the remainder of the FIP Annual Review process, including a primary focus on Higher Risk (Category 1) FIP plans to assist in identifying our material risk takers.

In addition to the FIPs rated Category 1 during the RAPP Refresh, other FIPs may be identified for further action such as those under extraordinary regulatory scrutiny or of particular interest to senior oversight groups. These FIPs are considered for the “Higher Priority” ranking which receives additional attention during the remainder of the Annual FIP Review process and throughout the subsequent performance period. Designation of “Higher Priority” FIPs is reviewed by executive management who may choose to add plans or re-categorize priority.

5.0 Risk Management Appendix C – FIP Accountabilities Chart

Functional Incentive Plan Design
Accountability Chart

Roles:	FIP Ownership			Partners to FIP Owners		
Who is Responsible?	Sr LOB Mgr	Plan Sponsor	Plan Administrator	Compensation	Risk	Finance
What do They Do?	<ul style="list-style-type: none"> Strategic direction All controls and procedures have been followed Final signature 	<ul style="list-style-type: none"> Oversee design, communication, and administration Develops plan measures and qualifying production definitions supporting risk management objectives Monitors effectiveness of plan during performance period Comply with all internal controls and plan administration requirements Signs plan document attesting alignment with Corporate objectives and support of functional partners 	<ul style="list-style-type: none"> Ensure payments are made to participants for the approved plan Train staff in accurate calculations Submit the incentive plan request form to payroll Comply with SOX Controls including periodic testing 	<p>ALL:</p> <ul style="list-style-type: none"> Signoff on plans attesting alignment with Corporate objectives Provide consultative support Review communications <ul style="list-style-type: none"> Ensure support for risk adjusted pay for performance objectives Guide sound compensation design and governance Establish market competitiveness Coordinate with other HR policy and procedures (e.g. severance) 	<ul style="list-style-type: none"> Align risk and compliance objectives Identify appropriate risk adjusted measures 	<ul style="list-style-type: none"> Align incentive plan measures with financial goals; recommends qualified production definition Recommend financial management information system to track measures Conduct financial projections and scenario modeling Monitor, back test, and validate current or past payments

**Functional Incentive Plan Governance
Accountability Chart**

Design Control Environment and Monitor	Independent Review	Governance		
Controllers	Internal Audit	Incentive Compensation Working Group	CEO	Compensation Committee
<ul style="list-style-type: none"> • Signoff on accrual control environment • Monitor accrual process • Signoff on accruals for material plans 	<ul style="list-style-type: none"> • Periodically review FIPs and associated payments to validate: <ul style="list-style-type: none"> - Payments have been made in accordance with the plan - Accurate controls are in place 	<ul style="list-style-type: none"> • Review inventory of FIPs and related statistics including: <ul style="list-style-type: none"> - Financial performance in relation to FIP expense - Market competitive information - Alignment of pay to risk adjusted performance - Internal Audit reports - Risk review evaluation - Proposed incentive plan designs for the coming year • Review and recommend to CEO approval of new plans • Reviews the STI Modifier measure and ensure consistent application 	<ul style="list-style-type: none"> • Reviews and approves annual discretionary FIP payments greater than \$50m prior to payment • Reviews quarterly FIP accruals • Approves annual FIP accruals • Approves STI Modifier usage • Approves new plans <p><i>Same as Compensation Committee</i></p> <ul style="list-style-type: none"> • Oversees the development and operation of the Company's incentive compensation systems and related control process through a periodic review of payment against our principles of <ul style="list-style-type: none"> - Payment for qualified production - Use of claw backs and forfeiture of awards - Increased use of risk measures in plan design - Reduced sensitivity to short-term performance - Deferring compensation associated with the time horizon of riskier products - Senior manager differentiation - Application of discretion 	<ul style="list-style-type: none"> • Oversees the development and operation of the Company's incentive compensation systems and related control process through a periodic review of payment against our principles of: <ul style="list-style-type: none"> - Payment for qualified production - Use of claw backs and forfeiture of awards - Increased use of risk measures in plan design - Reduced sensitivity to short-term performance - Deferring compensation associated with the time horizon of riskier products - Senior manager differentiation - Application of discretion

6.0 Risk Management Appendix D – Bios for the Risk Committee of the Board Directors





7.0 Risk Management Appendix E – Detailed Risk Assessment Response

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7.1 Executive Summary

Introduction

In accordance with Articles 13 and 14 of the Consent Order, dated April 13, 2011, between SunTrust Bank and the Board of Governors of the Federal Reserve System, an independent risk assessment was conducted. The scope of this independent assessment covered the company's risk management functions and operations in the areas of Mortgage Loan Servicing and Default.

This assessment was conducted by an independent consultant, Deloitte & Touche, LLP. The resulting report, titled **SunTrust Mortgage, Inc. Independent Consultants Risk Assessment of Servicing and Default Operations** (The Assessment Report) was delivered to SunTrust and the Federal Reserve on August 11, 2011 in accordance to the terms of the Consent Order.

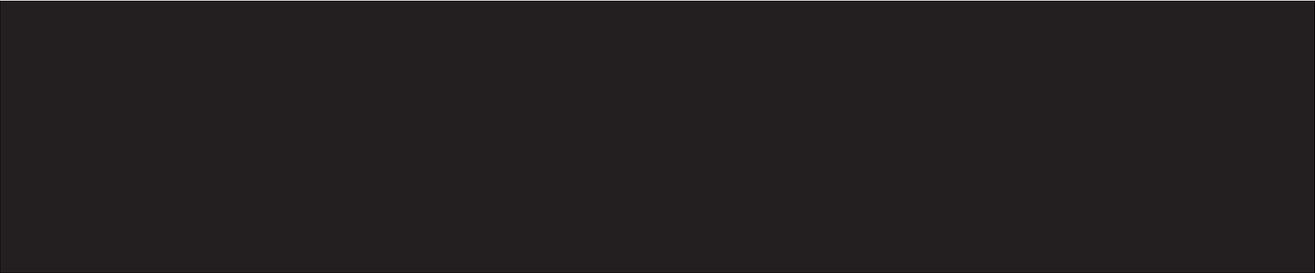
In addition, an independent legal risk assessment was conducted by the legal firm of Buckley Sandler, LLP. These findings were incorporated into the assessment report referenced above.

Article 16-L of the Consent Order requires SunTrust to submit a plan and program that addresses, considers, and includes the findings and recommendations of the independent consultant described in Article 13 of the Consent Order regarding Risk Management. Below, please find our submission in response to the aforementioned Article 16-L.

The Assessment Report

The Assessment Report, produced by the independent consultant, contained three major sections; An Executive Summary, Risk Analysis and Observations, and a Conclusion. Additional Detailed Observations by Area and a description of the assessment methodology were appended to the report.

The Executive Summary and Conclusion sections of The Assessment Report were structured along five specific themes. SunTrust further identified two smaller, related items which will be addressed as sub-themes for purposes of this response.



SunTrust Response

SunTrust remains committed to building the cultural and operational strength that allows us to compete safely, effectively, and profitably in the mortgage marketplace. Over the past several years, we have made great strides toward reaching this goal. The strategic change we have adopted is a journey without a predefined stopping point. Instead, the goal of management is to create an environment of continuous improvement leading to operational excellence.

The effort encompasses the building of foundational elements of quality in all of our operations. This foundation is supported by formalized structures that enable us to understand and assess the risks we take in the business. This foundation is enabled through the establishment of accountability of people charged with operational execution, through standardized and repeatable processes, and through realizing the controls and efficiencies that result from the appropriate implementation of



technology. This foundation is monitored, tested, protected, and improved through an effective Internal Control Environment which itself is further supported by multiple lines of defense beginning with the Line of Business (“LOB”) and ending with Audit, with appropriate Board of Directors oversight.

The completion of the Independent Risk Assessment validates our approach and progress towards improvement plans defined to date which indicates that we are on the correct path. The compilation of the action items in the Risk Assessment establishes further opportunities for refinement and continuous improvement, which we have noted in our action item response below.

An additional benefit is that this Independent Risk Assessment provides an opportunity to communicate to our supervisory agencies the ongoing progress and success in establishing the continuous improvement foundation.

Below, we will address the findings of the Executive Summary and Conclusions of The Assessment Report following the same thematic structure used in the report. These responses can be found in the section below titled “Assessment Report Themes and SunTrust Response”. Our responses and remediation plans addressing the specific items contained in the Risk Analysis and Observation section of the Assessment Report can be found starting in Section 1.2 of this response. A consolidated list of action plan items can be found in Section 1.11 of this response.

Assessment Report Themes and SunTrust Response



Management Response:

SunTrust currently has various actions underway to perform more comprehensive risk assessments, reinforce ownership by the lines of business, and perform more integrated reporting.

A program of expanded risk assessments has been designed. For high risk areas, this includes more in-depth reviews of Key Risk Indicators (“KRIs”), SAS, Quality Control (“QC”) and other background material, walkthroughs of processes, updates of controls and a critical review of risks and controls. A report summarizing the process will reinforce required actions.

We are altering our process to emphasize the business’ ownership of the RCSA process. While assessments will be facilitated by Operational Risk Management (“ORM”), the results are a self-assessment owned by the business unit, and have a high level of “challenge” by ORM. A training program was rolled out November 1, 2011 which reinforces the LOB ownership of risks. It’s expected that this Risk and Control Training will be completed by all Consumer Banking supervisors, which includes the mortgage LOB, the end of 2011. Combined with executive management support, SunTrust intends to reinforce the expectations of the business to identify risks, and to add to controls, procedures, metrics and risk reporting to help mitigate those risks. An example of one immediate action that has already been implemented is that the Consumer Banking and Mortgage Executive requested the LOB managers to present their own risk summaries at the Operational Risk and Compliance Committee (“ORCC”) instead of Operational Risk Managers, reinforcing risk ownership responsibilities.

With regards to reporting on Key Performance Indicators (“KPIs”) and KRIs, business areas have implemented these metrics for their business area with tolerances derived from the Corporate Risk Tolerance and Risk Appetite Limits. The most important metrics are consolidated into a monthly Key Performance Metric report for the Mortgage Executive, and issues or breaches of limits are escalated to the ORCC or Board Risk Committee (“BRC”) where appropriate.

ORM, using metrics defined by the LOB, is currently enhancing risk assessments to provide a more holistic view of current and emerging risks. This is taking place in a combination of phases, First, risks stewards, who are owners of specific risk categories, provide input on risk categories and assessments of the LOB. Second, findings by SAS, QC and Risk Review will be presented to the Mortgage CEO and President in conjunction with the new or existing issues derived from KRI reports or self-identified issues. This creates a multi-faceted risk profile for each business group, and will highlight emerging risks in other areas that require management attention.

SAS will audit the design and application of the RCSA framework when conducting their audit of the Enterprise Risk Management Program covering Servicing, Loss Mitigation, and Foreclosure activities. Additionally, in each risk-based audit of significant Servicing and Default Operations – Payment Processing, Collections, Loss Mitigation, Bankruptcy, Foreclosure, Mortgage Electronic Registration System (“MERS”), and Investor Reporting – SAS will assess and report on the adequacy of management’s self-assessment and their compliance with Program requirements. These individual assessments will be recorded in the SAS audit reports.



Management Response:

SunTrust Bank recognizes the need for an effective internal control environment that aligns with the nature, size, and complexity of our business activities. We recognize that internal controls are established to keep the business on course toward profitability goals and achievement of its mission, while mitigating and controlling risk along the way. Based on evolving expectations of the industry, SunTrust recognized the need to make improvements to the control structure. Subsequently, we have taken a number of important actions to improve our control environment, and have further outlined improvements that we intend to make in the response below. Actions to address the state of control within the mortgage business generally consisted of five interrelated components which include Control Environment, Risk Assessment, Control Activities, Communication, and Monitoring.

Control Environment

We believe the control environment sets the tone for the businesses and functions, influencing the control consciousness of our employees. It is the foundation for all other components of internal control, providing discipline and structure. While the importance of a strong control environment has been communicated down and across the SunTrust organization, management has taken a number of steps to improve and reinforce the message that control responsibilities must be taken seriously. Ownership of risk as defined in the “Three Lines of Defense” model, documented in the Enterprise Risk Policy, was revised in September 2011 to clarify roles and responsibilities. One major change to the policy was moving the business risk functions from the second line of defense into the first line of defense.

The Consumer Banking Operational Risk Program was also revised in September 2011 to better clarify roles and responsibilities within Consumer Banking, which includes mortgage default and servicing activities. Among several key changes in the Program was an emphasis on the business unit ownership for the execution and maintenance of their processes, procedures and controls.

Most importantly, the Consumer Banking and Mortgage Executive has set the tone and expectation that all business managers own the identification and control of risk, as evidenced in the roles and responsibilities of Consumer Banking Operational Risk Program and communicated through the Consumer Banking Operational Risk and Compliance Committee.

Control Activities

Control activities are the policies and procedures that help ensure management

directives are carried out. They help ensure that necessary actions are taken to address risks to achieving our business objectives. A project is underway to centrally document all current Mortgage policies, processes, procedures, KPIs, KRIs, and controls. This effort includes Mortgage Default, Servicing, Origination, and Support groups. Subject-matter-experts from PwC and Accenture are engaged to complete the documentation effort and to assess the quality of the current process and procedures in Loan Servicing, Loss Mitigation and Foreclosure. A similar team from Accenture is engaged to fully document the origination process and procedures, identify opportunities, and confirm that all issues are addressed in our project to redesign the origination experience (project name: [REDACTED]). During the process, observable gaps, opportunities, and issues will be noted and turned over to the business managers for inclusion in improvement plans. The baseline of processes, procedures and controls will be complete by year-end 2011 as noted in Article 16-C. Corporate Risk provided corporate guidelines, templates and standards for procedures during Q1 2011 which facilitated the documentation process, consistency and completeness of our procedures. PwC is close to completing the procedures work in Default and targets to complete procedures within Servicing and Operations by Q4 2011.

To manage this baseline, a procedures governance process for the new and enhanced processes and procedures will be in place by December 2011, as described in Article 16-C. This Process and Procedures Resource Group will serve as a shared service within the business, supporting the maintenance, development, and governance of the business process and procedure documentation. All documents will be maintained in a central repository overseen by this team of technical writers. The central team will ensure all updates are appropriately reviewed, enforce version control standards, maintain inventory reports, and provide executive reporting. The business managers will continue to be responsible for creating and maintaining their respective areas' processes, procedures and controls.

SunTrust also has a methodology in place to document, assess and test controls to mitigate risks. Controls are documented for each organizational component on a Control Matrix and as part of the risk assessment process described earlier, controls are reviewed and updated annually, as well as during any other time there are changes to processes or weaknesses identified.

A training and governance plan to support business manager accountability for owning, updating, and certifying process and procedures is under development by the Process and Procedures Resource Group and will be implemented by February 2012 as detailed in Article 16-J.

Communication

In order to maintain an effective internal control environment we believe our employees need to understand their roles with respect to risk and controls. As mentioned above, roles and responsibilities have been clarified through changes to the Enterprise Risk Policy down to the Consumer Banking Operational Risk Program. Business Line Manager responsibilities have been communicated through the Consumer Banking Operational Risk and Compliance Committee, Operational Risk and Compliance Mortgage Working Group and Operational Risk Forum.

In order to reinforce an understanding of risk and controls, a Risk and Control Awareness training program is under development and will be implemented with the support of SunTrust University ("STU"). This will be a computer-based

training program targeted to line managers designed to establish a better understanding of risks, controls and line management responsibilities. Training will be completed by December 31, 2011 as addressed in the Consent Order Compliance Program Article 9-B and action plan. This is part of a cultural shift to reinforce business ownership and accountability and to rely less on the business risk management group.

As a part of establishing the Process and Procedures Resource Group, a training plan will be developed along with the governance before February 2012 to support business manager accountability for owning, updating, and certifying processes, procedures, and controls as current. Business managers will also be accountable for keeping their staff informed of procedure changes. This is addressed in Article 16-I of the Consent Order.

Risk Assessment

Risk assessment is the identification and analysis of relevant risks to achieving our business objectives, and forming a basis of determining how the risk should be managed. Because economic, regulatory, industry and general operating conditions will continue to change, mechanisms are needed to identify and manage risk associated with the changes. As addressed in the Risk Assessment and Vendor Management theme summaries, SunTrust has a number of actions underway to perform a more comprehensive risk assessment, reinforce ownership through the lines of business and perform more integrated reporting. These are addressed throughout the response.

Monitoring

Internal control systems need to be monitored, a process that assesses the quality of the system's performance over time. This is accomplished through ongoing monitoring activities and separate evaluation activities. Ongoing monitoring within the business includes regular management and supervisory activities, Quality Assurance ("QA") and QC processes, and reporting of KPIs and KRIs. Monitoring is also performed by Corporate Risk and SunTrust Audit Services.

Key risk and control deficiencies are reported up through the Consumer Banking Operational Risk and Compliance Committee. This committee consists of Business Management, Business Risk, Corporate Risk, Legal, and Audit. Serious matters are escalated through Corporate Risk management to the Corporate Risk Committee and the Board of Directors as necessary.

The Mortgage LOB plans to expand its reporting to provide a more integrated view of risk. This is designed to expand the scorecard for the major operational risk categories and summarize findings from various risk assessment sources in order to provide a more holistic view of risk. The report will also include results of the RCSA and more detailed Business Control Assessment ("BCA") and Operational Assurance reviews. Comprehensive risk reporting to the working groups and ORCC committee is performed quarterly. Reporting on the status of key and emerging risks will continue. This report will be piloted in October and rolled out by January 2012 as described in Section A-8.

There are linkages and synergies among the actions management has taken with regards to strengthening the risk management of the business. We believe we have taken the right steps to strengthen the internal control environment. The cultural aspects of the change will take much longer and will require the continued tone from the top, reinforcement of responsibilities, management accountability, and monitoring.

For further details on the Recommendations of the Risk Assessment, specific to the control environment, please refer to Section I-2 of this response – Supplemental and Self Identified Action Items.



Management Response:

SunTrust's Default organization has been in a period of transition and change since 2008 as a result of the deteriorating economic environment, increasing delinquencies and losses, and our own business decisions related to technology enhancements. Collectively, these influences have required Default employees to endure rapid changes to their environment, increased workloads, and heightened demand of their time. As a result, SunTrust has refocused its efforts on the Default organization aligning resources to appropriately fulfill business requirements such as preserving homeownership through loss mitigation and alternatives to foreclosure, and reducing delinquency and losses for loans serviced.

The first step in improving the organizational alignment was to transfer the Default organization from the Consumer Banking Risk Group to the Consumer Banking Operations Group (“CBO”). This transfer aligns the Default organization with Originations and Servicing and will allow SunTrust to service a client from the beginning to the end of the loan lifecycle under a single point of accountability. In addition, Default will be able to leverage existing CBO capabilities which include:

- Technology and Infrastructure – provides strategic planning for technology investments, coordinates business prioritization, and delivery of technology initiatives and will provide the Default organization with greater ownership and accountability, as well as greater access to resources necessary to continually improve.
- Process Improvement/Productivity – focused upon process efficiency and excellence in execution and benefits Default through better integration and communication with dependent business partners.
- Change Management – coordinates and focuses efforts on organizational change through communications, training, and user adoption. Given the volume of change currently underway, coordinated change management will increase efficiency and reduce performance constraints when implementing strategic initiatives.
- Operational Reporting – responsible for providing information management capabilities for CBO with focus on accuracy and delivery of information for CBO employees. Default management will benefit from this shared service, and these functional capabilities will improve the visibility of the results and performance of the organization.

The transformation efforts for Default can be accelerated and fortified because of the maturity and resources in the Originations and Servicing business groups, which result in better coordination across people, process, and technology.

Furthermore, since 2008, Management’s attention has been focused on the implementation and delivery of [REDACTED] platform. The [REDACTED] installation was initially focused on providing enhanced workflow, process improvement, and operational controls through a single, integrated platform for Collections, Loss Mitigation, Foreclosure, and Bankruptcy. Beginning in Q4 2010, Management expanded its focus to stabilizing the [REDACTED] application and evaluating Default business processes for increased operational accuracy, enhanced operational controls, and improved productivity of the organization. SunTrust has led efforts to stabilize the platform and improve its reliability and performance.

Default management has also focused its resources on improving the Default business processes through enhancements to the [REDACTED] platform. During the first six months of 2011, SunTrust completed the documentation of the current state business processes for Default and the use of [REDACTED] to fulfill those processes. The completed business process maps have been utilized to identify process improvement opportunities, assisted in establishing prioritization of work for technical defects, and are leveraged for completing procedures for Default Servicing. The current state process maps also served as the starting point for SunTrust to design and deliver the new business processes to fulfill the Consent Order’s Single Point of Contact (“SPC”) requirements, the new Servicer Alignment Initiative (“SAI”), and the completion the Federal Housing Administration (“FHA”) / Veterans Administration (“VA”) / Private Investor portfolio conversions onto the [REDACTED] platform (Pipeline Conversion). We now

believe we have a strategic blueprint to align the people and technology through these business processes, to support the Default Evolution Program.

The Default Evolution Program is comprised of ten working groups focused on completing the business transformation for People, Process, and Technology related actions. A comprehensive plan has been developed that integrates the organization's readiness for change, employee engagement, enhanced training delivery and improved content, and a new communications framework and strategy. The intent of this coordinated effort is to prepare and inform employees of upcoming changes in roles or processes. The expected outcomes of this effort are to reduce confusion by providing advance notice of changes and improve user adoption of [REDACTED] through better training and supporting materials.

Through the collective coordination and delivery under the Default Evolution Program we hope to fulfill the strategic initiative of transforming and enhancing the Default organization operating model.

Finally, management is taking steps to improve the Default technology planning process by incorporating Default Evolution and all future Default programs into the existing CBO Technology Demand Management process. This will provide greater governance, control of incoming requests and visibility into the business prioritization process. The new demand management and planning process will be fully implemented in December 2011.



Management Response:

In Q2 2011, SunTrust Consumer Banking Risk developed the Consumer Banking Supplier Management Program ("CB SMP") and Consumer Banking Supplier Management Procedures to establish a framework of standards, controls and processes that are required to manage third party service providers (suppliers or vendors) based on the nature and risk of functions outsourced to each supplier. (SunTrust Mortgage Servicing and Default Operations are included within Consumer Banking in the context of this response and Program requirements.)

The CB SMP established the requirements, processes, expectations, and authorities for engaging, managing and terminating supplier relationships controlled by the Consumer Banking LOB. Moreover, the CB SMP integrates

with relevant enterprise governance policies and procedures that address supplier management; including those issued by SunTrust Supply Chain Management (“SCM”), SunTrust Enterprise Technology Risk Management (“ETRM”), SunTrust Legal, SunTrust Corporate Risk Management, and other SunTrust corporate functions. The Program defines:

- Roles, responsibilities and training requirements for Consumer Banking supplier managers.
- Procedures for approving, engaging and terminating suppliers.
- Oversight and monitoring standards.
- Supplier risk classes and relevant due diligence requirements.
- Control, audit and legal expectations.
- Other guidance required to ensure that suppliers are aware of and comply with SunTrust business standards and requirements.

The goal of the Program is to ensure suppliers are closely managed through the discipline of a comprehensive program for the protection of SunTrust and its clients.

SunTrust is currently implementing CB SMP in Loan Servicing and Default Management. Implementation includes the identification of all third party providers and assessment of risk for the suppliers. Additionally, based on the results of the risk assessment, Consumer Banking Supplier Management obtains formal contracts/agreements with the suppliers, defining service levels and performance metrics, and establishes individual performance management plans. Completion for Servicing and Default is targeted for December 2011.





Management Response:

SunTrust recognizes the importance of clearly defined roles and responsibilities, particularly with regards to the three lines of defense. SunTrust's risk framework, as dictated by the Enterprise Risk Policy is well defined; [REDACTED]

[REDACTED] SunTrust's risk governance structure and processes are founded upon the three lines of defense, each of which is critical to ensuring that risk and reward in all activities are properly identified, assessed and managed. SunTrust has taken a number of steps to clarify and strengthen the three lines of defense.

This Enterprise Risk Policy, covering the three lines of defense, was revised on September 20, 2011 expanding and better defining the roles and responsibilities within the three lines. The revision included moving the business risk management function into the first line of defense and clarifying that role with regards to the first line of defense. Additionally, the policy specifically addresses employee accountability with regards to identifying, measuring, and reporting risk at different levels of the organization so that decision making and material issues are clear to all SunTrust stakeholders. Additional detail on the three lines of defense can found in Background Section 1.3 of the Risk Management Consent Order response.

Previously, the first line of defense has relied on informal training and prior experience, but recognizes the need for a more formal training structure. A program is underway to develop a course on risk and controls with STU. As outlined in the Consent Order Article 9, this will be a computer based training course that will cover risk management objectives, risk definitions, roles of business employees and risk management, risk identification, controls and assessment. The overall objective is to reinforce ownership of risk and control by LOB and functional managers, and provide them training to better carry out that role. This is a further step towards improving the internal control environment.

Business Operational Risk is also working to improve the RCSA process to help the business better self identify risk. We are altering our RCSA process to enhance business ownership and responsibility for detecting and reporting control risks. Currently the Operational Risk Management group facilitates the RCSA and more detailed BCA processes with the business units. The RCSA represents an annual process that focuses on reporting key risks in the business and related quantitative ratings of impact and probability. The BCA is a more detailed evaluation of risk and controls in each functional area. [REDACTED]

[REDACTED]
The Consumer Banking Operational Risk Program, revised in September 2011,

reinforces the businesses ownership of the risk assessment while contrasting Operational Risk Management's role as a facilitator. Furthermore, these processes are being strengthened for high risk areas, including Mortgage Servicing, Default and Foreclosure. Further details can be found in the Consent Order Compliance Program response, Article 9-A.

Several changes have also been made within business risk management to strengthen and improve their role in the governance model. Default Administration no longer reports to the Consumer Banking Chief Risk Officer. As of August 8, 2011, it became a part of CBO; integrating Default into Consumer Banking Operations helps us leverage shared capabilities, disciplines and technologies. CBO will now encompass all operational functions from origination to lifetime servicing and collections for all loan products in Consumer Banking.

As previously mentioned, Consumer Banking Operational and Compliance Risk Group recognized the need for our risk management processes to align with the nature, size, and complexity of our business activities and accordingly, we put into place an organizational plan in January 2010 to expand the depth, breadth and skill sets within the team. The plan provided for greater dedicated risk support to confirm business unit operations are conducted in accordance with applicable laws, regulations, policies and industry standards, and that adequate controls exist. The team's capacity and capabilities have improved with the following additions:

- The Default and Servicing Compliance/QC Team – The Default and Servicing Compliance/QC manager started on June 20, 2011. As of Q3 2011, nine QC Compliance reviews have been completed. The new team is also actively engaged in advising and supporting Default and Operations on regulatory compliance.
- The Operational Assurance Team – Formed in Q2 2011, was created to support all of Consumer Banking, which includes the Mortgage Servicing, Default and Foreclosure areas. As stated in the Consent Order response for the Compliance Program (Article 9), five additional analyst positions were created to focus on mortgage operations. The existing team will continue to focus on mortgage operations until additional staff is added. As a part of the Horizontal Foreclosure Response, in March 2011, and the Consent Order Response for the Compliance Program (Article 9), four additional Operational Risk analyst positions have been added to better facilitate enhancements to the RCSA Program.

Clarifying the roles around the three lines of defense, combined with strengthening ownership and knowledge of the business, and expanding the support of the business risk functions will help improve the control environment and engagement among the three lines of defense. Over the past few years, SunTrust has demonstrated a good working relationship between Business Risk, Corporate Risk, and Audit. With the changes outlined above, this relationship will continue to focus on helping the business better understand its role in the risk management process.



Management Response:

In our core servicing areas, SunTrust regularly conducts studies to determine the overall cost of servicing. This cost is set via time and motion studies in the logical subunits of Servicing and then aggregated into a total cost. This information is also used as inputs into standardized models to determine appropriate FTE staffing levels. Interim changes to business operations are added to these models on an ongoing basis and formalized during each recalibration study. Reporting of the cost to service a loan is reported to management by the SunTrust Strategic Finance group on a monthly basis.

The staffing models in both Core Servicing and Default are currently being elevated to accepted industrial engineering standards. The time standards used to calculate staff will be based on time and motion studies. The time standards in the prior model were based on macro productivity standards—basically actual volumes divided by staff. The Consumer Bank Performance Management group is currently engaged to bring both areas to acceptable time standards. In the meantime, the Consumer Performance Management group has confirmed that all of Core Servicing’s macro productivity standards are acceptable; and by the end of year will have confirmed all of Default’s time standards as acceptable. The Performance Management group validates the macro standards on a monthly basis to ensure that the standards are still within tolerance. The plan to update the standards to accepted industrial engineering standards is expected to be complete by July 2012. In addition, the Servicing Group monitors productivity related KPIs, such as total FTE available hours, total hours worked and productivity percentages. The Default Group is currently in the process of developing productivity metrics and related reporting.



Management Response:

The three lines of defense, as described in the Enterprise Risk Policy Framework, require individual accountability within defined roles. The revised Enterprise Risk Policy specifically notes that “Failure of an employee to appropriately identify, manage/mitigate, and/or communicate risks in accordance with assigned roles and responsibilities may result in disciplinary action up to and including termination.” Additional detail on the three lines of defense can be found in Background Section 1.3 of the Risk Management Consent Order response, and theme Number 5 of this Risk Assessment Response Summary.

To further ensure appropriate accountability among employees, SunTrust institutionalized a series of processes that identify and control risks arising from incentive compensation programs, including mortgage incentive plans. These processes are based on the Federal Reserve’s Guidance on Sound Incentive Compensation Policies issued in June 2010, as well as further guidance that the Federal Reserve provided specifically to SunTrust. The processes described in Article 16-E of the Consent Order describe a comprehensive approach to the development, implementation, and governance of Functional Incentive Plans (“FIPs”), and identifies potential risks on the front end of the annual plan review process.

Finally, SunTrust Performance Review forms include a mandatory accountability for Risk Management which is included in all SunTrust employees InBalance Review forms. Performance with regards to this goal influences the overall employee performance rating, which impacts compensation and continued employment.

Conclusion

As stated above, the Independent Risk Assessment provides validation and a roadmap to continue on our journey toward Operational Excellence. Following this narrative response are execution plans to realize the specific goals outlined in the Risk Analysis and Observation sections of the Assessment. While most substantive actions were previously identified internally and implementation is underway, additional actions identified as a part of the Risk Assessment process include:

- Revisions to the Enterprise Risk Policy to better define and clarify the Three Lines of Defense.
- Development of a State Regulation Training Program to deliver training on relevant state regulations.
- Expansion of the Consumer Banking Supplier Management Program and Supplier Management Procedures framework to address Non-Attorney Bankruptcy and Collections functions.
- Development of definitions and guidance on QA and QC programs within the Mortgage LOB.
- Formalization of the Legal Risk Program by documenting existing Legal activities.

Finally, as a by-product of the procedure and control development work, we have self-identified gaps across the Mortgage business that detail process enhancement opportunities, training considerations, gaps in policies, procedures and controls, and KRIs/ KPIs and other reporting considerations. Gaps that appear substantive in nature have been identified for management review and management will develop an appropriate response and action plan to mitigate the gaps. The creation of the action plans and time tables to address these gaps has been included into the action plan within the Risk Assessment (see Section I-1).

7.2 A - Governance, Risk Management and Compliance Program

As it relates to the three lines of defense:

█ [REDACTED]

Default Administration became part of Consumer Banking Operations on August 8, 2011. With this change, [REDACTED] Senior Vice President (“SVP”) Default Manager, reports to [REDACTED] Executive Vice President (“EVP”) Consumer Lending and Servicing LOB Manager, and continues to lead all aspects of Default. Integrating Default Administration into Consumer Banking Operations will help us leverage shared capabilities, disciplines and technologies. Consumer Banking Operations will now encompass all operational functions from origination to lifetime servicing and collections for all loan products in Consumer Banking.

Effective with these changes, the risk management function has returned back to its role of advising the business line management on risk related matters, while testing the business operations.

█ [REDACTED]

Currently, there is no formal training on risk identification and assessment; however a program is underway to develop a course on risk and controls awareness with STU. This will be a computer based training course that will cover risk management objectives, risk definitions, roles of business employees and risk management, risk identification, controls and assessment. The overall objective is to reinforce ownership of risk and control by line and functional managers and provide them training to better carry out that role. This is a further step towards improving the internal control environment. The target audience is managers and supervisors. Development with STU will be complete by October 2011 and rolled out to all managers by December 2011.

█ [REDACTED]

Servicing Operations

Servicing currently uses multiple reports to track results against key performance metrics, producing internal and external reports. Current metrics will be reviewed to identify opportunities to improve upon the current process to identify emerging operational risks.

Current Key Performance Metric Reporting – Internal Reporting:

Servicing produces weekly reports that include production volumes and key performance indicators. A comprehensive Mortgage Servicing scorecard is produced monthly which includes cost per loan, loans per FTE, key workload measures per FTE and key performance measures (timeliness and compliance metrics). Performance indicators (Green / Yellow / Red) are used to highlight whether actual results meet goals. A weekly Servicing snapshot report highlights completed and upcoming



action items. A more comprehensive monthly report highlighting current and upcoming action items and emerging risks with their respective corrective actions to mitigate risks is also used.

Current Performance Metric Reporting – External Reporting:

- Productivity Reporting – Consumer Banking Performance Management produces monthly department productivity reports. Total FTE available hours, total hours worked and productivity percentages are a few of the metrics that are included in these reports.
- Operational Risk and Compliance Committee – Consumer Banking Operational Risk and Compliance Management holds a monthly meeting to review emerging risks and actions underway to mitigate risks.
- Monthly Quality Reporting – Mortgage Credit samples loans monthly to determine if processing was completed accurately and met investor requirements.

A summary list of current reports can be found in Appendix B.

Current Escalation Processes:

An existing process is in place to escalate risks. If performance results indicate that operations are not meeting goals or are at risk of not complying with an investor guideline, the issue is escalated to the Mortgage Operational Risk and Compliance Working Group and the Consumer Banking Operational Risk and Compliance Committee. Progress against action plans to improve performance is reported until performance is returned to expected levels.

Additional Efforts Underway:

Increased Performance Measures - Servicing managers will review Mortgage scorecard metrics to identify the appropriate accuracy measures. The scorecard will be updated and reporting against additional measurements will begin in January 2012. Where absent, quantitative performance thresholds will be identified that map to Green / Yellow / Red status indicators. Once approved, any changes to such thresholds will require sign-off by the Core Servicing Department Manager and another independent party (i.e., Risk, Finance, Service Quality or Chief Credit Office). Core Servicing will publish the thresholds at which risks are escalated to Operational Risk and/or Consumer Banking executive management.

Default Group

Default Group recently enhanced its inventory of key operational metrics, while several identified metrics are still in development. The operational metrics focus on both quality operations and compliance, primarily with timelines, and are reported monthly to the Default Manager.

Additionally, as the Corporate Procedures and Process Project updates the Default Mortgage Loss Mitigation LOB procedures, key risk and key performance indicators will be identified. Management will then develop reporting on these indicators as appropriate. A plan for addressing any new Key Performance Indicators will be in place by the end of November 2011. Please see Section D-3 for the relevant action plan.

█ [REDACTED]

An organizational plan was established in January 2010 to expand the depth, breadth and skill sets within the Consumer Banking Operational and Compliance Risk Management Group. This plan was addressed as a part of our Targeted Review Response to the Federal Reserve Bank (“FRB”) dated April 2010.

Additional enhancements to the Consumer Banking Operational and Compliance Risk Group were communicated in the Horizontal Foreclosure response to the FRB in March 2011. We committed to accelerate the build out of the Default Compliance / QC team to ensure that changing federal / state regulations are identified, assessed, installed with appropriate controls, and subject to ongoing compliance testing. The build out of the Operational Assurance Team was also accelerated to develop a testing program to validate control effectiveness for key business processes from an operational risk perspective. Finally, we committed to strengthen the current RCSA Program.

We recognize the need for our risk management processes to align with the nature, size, and complexity of our business activities and accordingly, we have been aggressively recruiting to build out our team since Q1 2010. The lead time for hiring has taken longer than desired due to qualification requirements; however, we have made good progress in building out the Operational and Compliance Risk team.

Compliance/Quality Control Group – The Default and Servicing Compliance / QC team is in place. The Default and Servicing Compliance/QC manager started in the role on June 20, 2011. Five out of eight of the group's compliance analyst and consultant roles have been filled; and the remaining positions are being actively recruited as of September 30, 2011. As of Q3 2011, nine QC Compliance reviews have been completed, with two of these completed by the new team. The new team is also actively engaged in advising and supporting Default and Servicing Operations on regulatory compliance. Compliance subject matter experts are responsible for partnering with the businesses to help set up compliant internal policies/procedures, processes, loan documents, marketing materials, and "client-facing" communications, followed by the monitoring of compliance requirements and the testing of regulatory controls.

Operational Assurance Team – This team was formed in the second quarter of 2011, and consists of six analysts in addition to a manager. The team was created to support all of Consumer Banking, which includes the Mortgage Servicing, Default and Foreclosure areas. As a part of the Consent Order response for the Compliance Program, Article 9, five additional analyst positions are actively being recruited to focus on mortgage operations. The existing team will continue to focus on mortgage operations until additional staff is added. The team has completed the pilot review of MERS as of the third quarter 2011.

The Operational Assurance team is responsible for testing business controls to provide objective assurance that key operational controls within the LOBs are operating effectively. The team's scope addresses controls associated with policies, procedures and processes, and will include legal requirements and supervisory guidance associated with the Consent Order. Areas identified for testing will be based on an annual risk assessment. The effectiveness of key controls in areas identified as "High" risk will be reviewed more frequently. At the conclusion of each Operational Assurance engagement, a report will be issued to management. Issues noted will require a management response, and issue remediation plans will be monitored to completion.

Operational Risk Management – As a part of the Horizontal Foreclosure response in March 2011, and Article 9 of the Consent Order response for the Compliance Program, five additional analyst positions are being added to better facilitate enhancements to the RCSA Program. Four of the five positions have been filled as of September 30, 2011.

The changes being made to the Operational Risk Assessment process and methodology can be found in the response to Article 16-I of the Consent Order.



[REDACTED]

SAS has reviewed its Mortgage Audit Plan and has made amendments to incorporate additional risks identified by the Consent Order. Risk and Control matrices prepared for each audit outline controls and not processes. In addition, the risk assessment process was revised and reviewed by the FRB to incorporate risks both from a total company perspective (top down) and risks specific to each business (bottom up). This risk assessment is updated each quarter and revisions to the audit plan and control testing are made as necessary.

[REDACTED]

SAS' audit methodology has been revised to formally require that recommendations be made for each issue identified during audit work. SAS's recommendations will be based on evaluation of root cause and surrounding facts and circumstances. These recommendations will be comprehensive in nature in order to improve processes and address root causes. Action plans provided by management are reviewed to ensure that they are satisfactory and responsive to improvement of the control environment.

[REDACTED]

As an independent function with full access to management throughout the organization, SAS leverages this position to provide feedback to individuals, committees and project teams on suggested control improvement opportunities on a regular basis. Specifically, SAS assists in raising the control culture by executing its annual audit plan, identifying issues, conducting issue follow up, and ensuring proper management and remediation actions are taken. SAS will continue to focus audit work on key risks and controls and SAS will ensure that significant risk issues are raised both to executive management and line management to help reinforce the need for improving the control culture.

As it relates to the risk assessment:

[REDACTED]

Currently, Operational Risk Management facilitates the RCSA and BCA processes (see Article 16-I of the Risk Management response for additional information). Other forms of assessment are QC, Risk Review, SAS audits, and evaluations by various staff functions of their respective areas (called Risk Stewards). Reporting is performed separately by each area.

Currently, Mortgage has a monthly operational risk and compliance report presented to executive management. It contains key risks, emerging risks, a risk scorecard, and a compliance update (additional topics may be included). On a quarterly basis, KRIs measuring risk tolerances are presented for key risks. The appendices of the report include information on the new product approval pipeline, outstanding audit issues, major loss events, models, and training status.

Consumer Banking Operational Risk plans to expand this reporting to provide a more integrated view of risk. This is envisioned to expand the scorecard for the major operational risk categories and



summarize findings from various risk assessment sources (e.g., RCSA/BCA, SAS, Risk Review, QC, Operational Assurance) to provide a more holistic view of risk. Comprehensive risk reporting to the working groups and the Operational Risk and Compliance Committee is performed quarterly. Reporting of status of key and emerging risks will continue. The report will take input from all of the risk stewards into the assessment of standard operational risk categories. Results from SAS, Risk Review and QC will be aggregated in one place, with respective ratings, to provide a more integrated review.

This report will be piloted in October 2011 and rolled out by January 2012 (in the next quarterly mortgage report).

As it relates to senior management oversight:

[REDACTED]

SunTrust Mortgage is moving toward a clearly defined metrics driven approach to determining the current performance of the organization and to promote the early identification of evolving risks.

The new Mortgage executive management personnel put in place in April 2011 self identified this as a gap and triggered work on an Executive KPI Dashboard to be produced monthly representing high level performance and risk indicators from all segments of the LOB. The first full report was produced in July representing June results. The report is reviewed during a monthly Mortgage executive staff meeting in which each division lead discusses their metrics and any significant or directional changes.

In addition to Key Performance Indicators, this Executive Dashboard will contain a view of KRIs. Specific risks noted in the report include error and exception rates, delinquencies, repurchase activity, and major regulatory compliance rates. The full suite of risk indicators are contained in the monthly Consumer Banking and Mortgage Operational Risk and Compliance Committee and Mortgage Asset Quality Committee reports.

SunTrust will continue to modify and improve this report as our risk profile evolves and as more key data elements become available. These new data points will include applicable items being developed under Action Plans for the response to Sections D-3 and D-4 of this document.

[REDACTED]

[REDACTED] FRB responses all contain their own tracking and reporting mechanisms.

In an effort to track risk mitigation activities, ORM will receive reporting from all of the providers and review for major issues. Additionally, ORM will request a short executive summary from each of the providers and include in Working Group and Committee reporting to provide summary progress on mitigation activities across the business.

The above steps will be accomplished by the January reporting period to the Mortgage Operational Risk and Compliance Working Group and included in the meeting package. This will be in addition to the information described in Section A-8.



As it relates to Compliance monitoring and testing:

[REDACTED]

From a regulatory compliance perspective, testing is performed by the Corporate Compliance Assurance Team, Consumer Banking Compliance/QC Team, and the Mortgage Default Group. The scope and frequency of the regulatory compliance reviews differ by each of these three areas.

- a. Testing results from the Corporate Compliance Assurance Team are reviewed by the LOB in consultation with the Consumer Banking Compliance team to develop appropriate action plans.
- b. Specific business risk support on regulatory compliance in Mortgage Servicing, Loss Mitigation and Foreclosure testing has improved with the creation of the Servicing and Default Compliance/QC team, part of the Consumer Banking Compliance/QC Team, during the third quarter. As previously mentioned in Article A-4, the implementation of this team was delayed due to the inability to find qualified personnel. The Servicing and Default Compliance/QC manager started in this role on June 20, 2011. Five out of eight of the group’s compliance analyst and consultant roles have been filled, and the remaining positions actively recruited as of September 30, 2011.
- c. The Mortgage Default Group has a centralized testing function and is developing a plan to roll out or expand Quality Assessment (“QA”) into the various functional areas: Collections, Loss Mitigation, Bankruptcy and Foreclosure. Servicing Operations has formalized QC programs in a number of areas including: Custodian, Client Services, and New Account Set-up. The overall approach to QA/QC will be reviewed in Servicing Operations as noted in B-10 once the Testing Guidance is provided by Corporate Operational Risk.

Self evaluation and testing of critical processes are conducted by the LOB, Business Risk, and Corporate Risk through a combination of QA and QC programs. [REDACTED]

[REDACTED]

[REDACTED] Corporate Operational Risk in coordination with Consumer Banking Operational Risk and Compliance is working to develop a Testing Framework and Definitional guideline document by November 2011.

As noted in Sections B-9, D-9 and 10, and E-4 and 5, QA and QC processes are addressed differently across mortgage loan servicing, loss mitigation and foreclosure operations. The Consumer Banking Operational Assurance Team will review the scope and approach of the different testing and QC programs with the guidance noted above to evaluate their appropriateness and design. The evaluation of these programs will address Mortgage Loan Servicing and the Default functions, and will be completed by December 2011.

The feasibility of consolidating testing results activities will be evaluated to determine the format and content of the consolidated information and a recommendation on whether to proceed by March 2012. We want to validate that results are being analyzed, actions taken and issues are escalated



through management and risk as appropriate. The goal of this action is to determine whether incremental benefits exist to aggregate testing results and how to proceed.

As it relates to training:

[REDACTED]

By December 31, 2011, current Mortgage policies, processes, procedures, KPIs, KRIs, and controls will be documented with the appropriate level of detail across STM. This effort includes all other Mortgage Default, Servicing, Origination, and Support groups. We have engaged teams of subject-matter-experts from PwC and Accenture to complete the documentation effort and to assess the quality of the current process and procedures. During the documentation phase all observable gaps, opportunities, and issues will be noted and turned over the business managers for inclusion in improvement plans (as addressed in Section I-1 of this response).

To ensure this documentation remains current, we are adding a Process and Procedures Resource Group which will serve as a shared service within the business supporting the maintenance, development, and governance of the business process and procedure documentation. All documents will be maintained in a central repository overseen by this team of technical writers. The central team will ensure updates are appropriately reviewed, enforce version control standards, maintain inventory reports, and provide executive reporting. This team will launch in October 2011 and be fully implemented by February 2012.

The future governance routines will include reviews of processes and procedures with support from Risk, Compliance, Legal, and other stakeholders. Business Managers will retain primary accountability for maintaining efficient, effective, and well managed process and procedures. We will fully implement a training and governance plan that enables business manager accountability for owning, updating, and certifying processes and procedures as current by February 2012.

[REDACTED]

Our current training program encompasses federal compliance, with state regulations left to the business units in the form of workflow process training. We will enhance existing state regulatory change process to incorporate a training component for new or revised requirements. Our existing Compliance training program and model will be leveraged, and we will add three additional resources to the Compliance Training and Communications team to execute the expansion of relevant state regulatory training into our existing program.

Relevant state training will be determined using a risk based approach, heavily influenced by Legal, and recognizing that not all state regulatory requirements will require or justify formal training. Relevant state training prioritization, requirements, and content will be coordinated with Legal. Training delivery may take the form of a STU Web Based Training course, classroom facilitation, conference call, live meeting, communication bulletin, or other method as deemed effective by Compliance and Legal for the content and audience. The training content will be updated on an as-needed basis. Training will be targeted to the business units, but will be available to the second and third lines of defense as they choose to participate.



Action Plans

Reference	Assigned To	Action Item / Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)
A-2		Develop Risk and Controls Awareness training program.	Rollout training program.	December 2011
A-3		Develop quantitative performance thresholds to map to the Green / Yellow / Red status in management reports. Identify the triggers at which performance deficiencies will be escalated to executive management.	Documented quantitative thresholds to measure performance. Documented triggers for executive management reporting. Updated reports with appendices showing the definitions. For Green / Yellow / Red status.	January 2012
A-8.1		Pilot integrated risk scorecard.	Include in ORCC report.	October 2011
A-8.2		Incorporate integrated risk scorecard into regular quarterly reports.	Include in ORCC report.	January 2012
A-9.1		Deliver Version 1.0 of Executive Dashboard for Mortgage LOB.	Version 1.0 of Executive KPI/KRI Dashboard.	Complete – July 2011
A-9.2		Integrate additional default metrics as applicable from referenced Action plan D-3.2.	Executive KPI/KRI Dashboard containing new Default metrics resulting from D-3 action plan and results.	November 2011
A-9.3		Review Investor KPI default metrics from Action plan D-4.3 and integrate into Executive Dashboard as appropriate.	Executive KPI/KRI Dashboard containing new Default metrics (Investor) resulting from D-4 action plan and results.	December 2011
A-10		Integrated issue and mitigation plan reporting across audit and risk for management review.	Issue and mitigation plan summary included in January Meeting	January 2012



Reference	Assigned To	Action Item / Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)
			ORC Working Group and ORCC report.	
A-11.1		Develop definitions and guidance for the creation of QA and QC testing. Guidance will include definitions around types of testing, roles and responsibilities for testing among the lines of defense, and guidance on escalation of issues up through business management and risk.	A Testing Program document addressing definitions and roles and responsibilities.	November 2011
A-11.2		Evaluation of Servicing, Foreclosure, and Loss Mitigation QC, QA, and testing programs for appropriateness and design.	Documented evaluation of Servicing, Foreclosure, and Loss Mitigation QC, QA, and testing programs for appropriateness and design.	December 2011
A-11.3		Evaluate feasibility of consolidating compliance monitoring and testing results for reporting purposes so that common themes can be identified, root cause analysis performed, and remediation actions taken.	Documented analysis of the feasibility of consolidating testing activities, including recommendations for the format and content of information to be consolidated.	March 2012
A-12		Document all process and procedures with appropriate level of detail. Document all current KPIs, KRI, and controls.	Final process, procedures, and control matrix documents.	December 2011
A-13.1		Scope and prioritize training requirements on state laws and regulations Scoping and assessment of existing state training needs	State training inventory received from Legal	December 2011
A-13.2		Prioritization of existing training needs on state laws and regulations.	Completed Prioritization list	January 2012
A-13.3		Incorporation of state regulatory training into existing state regulatory change process.	Update state regulatory change workflow document	January 2012



Reference	Assigned To	Action Item / Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)
A-13.4		Develop, document and deliver state regulation training program.	Delivery mechanism process is documented and communicated.	March 2012

7.3 B - Servicing Operations

As it relates to third-party service provider management and monitoring:

█ [REDACTED]

SunTrust will identify and inventory all third-party service providers (“suppliers” or “vendors”) as it implements the CB SMP in the Loan Servicing Department. The CB SMP Department Supplier Manager Lead will be responsible for ensuring that supplier files are maintained. Implementation of the CB SMP for Loan Servicing suppliers, including developing the inventory of third party service providers, is in progress and is targeted to be completed by December 31, 2011.

For reference purposes, the other sections that include information about developing an inventory of suppliers are E-7, F-8 and G-1.

█ [REDACTED]

Development of the comprehensive supplier management framework for the management and monitoring of third party providers in the Consumer Banking LOB was completed on July 12, 2011. The framework is codified in the “Consumer Banking Supplier Management Program” and the “Consumer Banking Supplier Management Procedures” documentation. Implementation of the supplier management framework in Loan Servicing is in progress and targeted for completion by December 31, 2011.

For reference purposes, the other sections that include information related to vendor management, monitoring and reporting are C-1, C-2, E-6, E-9, F-7, F-10, G-2 and G-3.

█ [REDACTED]

- [REDACTED]
- [REDACTED]

The CB SMP requires a risk assessment to be performed for each service provider with respect to the type and nature of services provided. Based on the results of the assessment, the supplier is assigned to one of four risk classes which drive the performance management and monitoring requirements for the supplier. *Risk Class 1* represents the highest risk or most critical suppliers, while *Risk Class 4* represents the lowest risk suppliers (typically, small dollar and/or single transaction suppliers). *Risk Class 2 and Risk Class 3* represent moderate to low risk suppliers, as evidenced by lower transaction counts, lower dollar spend, and/or provision of non-critical goods or services. Risks that are identified during the risk assessment process but not mitigated through the standard performance management and monitoring plan are individually addressed with the supplier by the relevant SunTrust manager and an appropriate remediation plan enacted.

With respect to QBE:

- SunTrust has appropriate controls in place through defined business practices and automation to prevent unnecessary issuance of lender placed insurance.



- SunTrust will evaluate with legal counsel the need for and propriety of a benchmarking study regarding lender placed insurance premiums.

As it relates to personnel and systems resource management:

█ [REDACTED]

The Head of the Consumer Bank Operations Servicing / Post Closing group position was filled as of September 29, 2011. This position reports to Mark Pregmon, EVP Consumer Lending and Servicing LOB Manager. There are no other open management positions as of the date of this response.

█ [REDACTED]

Existing Training:

New hires receive on-the-job training within their departments. STU periodically provides a four-day, classroom training course for Client Services. Other departments may send employees to this class.

The typical structure for OTJ training includes a four-step process:

- a. Team lead or manager reviews the policies and procedures with the new hire.
- b. New hire observes an experienced employee perform the work.
- c. New hire performs task with an experienced employee observing.
- d. New hire completes work on their own (feedback and coaching provided).

Once the new hire reaches the benchmark standard for completing a task, the new hire follows the ongoing work review process, which varies by department.

Training Assessment Underway -- New Training Programs Planned:

In response to the Consent Order, STU is preparing an assessment of current Core Servicing training needs. Core Servicing has requested that STU add a new hire class to its training program. Course material will include appropriate introductory training about SunTrust Mortgage, review of policies, procedures and controls, as well as instructions for escalating a client complaint. All new hires will be taught how to access the written policies and procedures, workflows and controls posted on the Retail Lending Guide (Servicing Intranet site).

The current OTJ process will be enhanced by defining criteria for various proficiency levels. New hires will be required to obtain a certain level of proficiency before they can graduate to the production floor. In addition, managers will work with Human Resources on a possible written assessment that evaluates a new hire's understanding of policies and procedures prior to being released from OTJ.

█ [REDACTED]

It has always been SunTrust Bank's goal to identify automation opportunities that improve efficiency or reduce errors where feasible. The number of technology changes scheduled in 2011 and 2012 is a testament to our efforts to improve efficiency, reduce errors, maintain regulatory compliance and support business opportunities.



As it relates to the internal control environment:

[REDACTED]

Recognizing the risk of loss resulting from non-compliance with servicing agreements, the Asset Solutions and Servicing Operations groups within STM commenced a project in July 2011 to inventory transactional documents related to loans sold to counterparties. All servicing agreements noted as missing, incomplete or in draft form governing the outstanding servicing portfolios on STM's servicing system are being pursued through various avenues, such as contacting the counterparty, transaction counsel, master servicers, trustees or other parties who may assist in providing STM with a fully-executed copy of the applicable governing agreement. The Contracts Database Policy governs the ongoing inventory management of transaction documents, including servicing agreements, to ensure future agreements are inventoried.

STM expects to secure the majority of missing agreements by the end of 2011, subject to the cooperation of counterparties and other outside parties to fulfill STM's requests for documents. STM will not actively pursue those servicing portfolios representing unpaid principal balances of less than [REDACTED].

[REDACTED]

By December 31, 2011, current Mortgage policies, processes, procedures, KPIs, KRIs, and controls will be reviewed, updated, and documented with the appropriate level of detail across STM. This effort includes servicing departments as well as all other Mortgage Default, Origination, and Support groups. We have engaged teams of subject-matter-experts from PwC and Accenture to complete the documentation effort and to assess the quality of the current process and procedures. During the documentation phase, all observable gaps, opportunities, and issues will be noted and turned over to business managers for inclusion into improvement plans (as addressed in Section I-1 of this response).

To ensure this documentation remains current, we are adding a Process and Procedures Resource Group which will serve as a shared service within the business supporting the maintenance, development, and governance of the business process and procedure documentation. All documents will be maintained in a central repository overseen by this team of technical writers. The central team will ensure all updates are appropriately reviewed, enforce version control standards, maintain inventory reports, and provide executive reporting.

The future governance routines will include reviews of processes and procedures with support from Risk, Compliance, Legal, and other stakeholders. Business Managers will retain primary accountability for maintaining efficient, effective, and well managed process and procedures. We will fully implement a training and governance plan that enables business manager accountability for owning, updating, and certifying processes and procedures as current by February 2012.

[REDACTED]

Servicing managers are reviewing existing controls and are adding more controls in key areas.

Internal Controls – Existing:

- Core Servicing is making a concerted effort to better monitor, and ultimately reduce, manual processes and workarounds. In order to ensure manual multi-step tasks are completed accurately, Servicing managers use automated scripts that guide an employee through the task

without skipping a required step. The use of automated scripts ensures that all of the steps in the tasks are consistently completed regardless of which employee completes the work. For high-volume repetitive tasks, an automated transaction file is submitted to the loan servicing system for a list of loans. Use of an automated transaction file eliminates manual keying errors which could result if the same tasks were keyed manually for a large number of loans.

- For larger automation needs, Core Servicing submits requests for automation through the Technology Panel, a working group that reviews and prioritizes technology change requests. In 2011, the majority of the automation projects have been focused on enhancing the Origination and Default systems.
- Departments self-test their key controls annually. In addition, SunTrust conducts an annual test of SOX controls.
- Business management performs an annual RCSA, facilitated by Consumer Banking Operational Risk Management. Business Managers are required to perform a quarterly signoff attesting that no policy or control violations have occurred as well as explain any significant changes. To further this existing control process, CB ORM is enhancing the control evaluation methodology through the BCA process outlined in Article 16-I of the Risk Management response.

Internal Controls – Underway:

- Enhanced manual controls for monetary transaction requests, including check requests, are under development to include implementation of authorization limits and a QC validation program. Options are being explored for automating the manual check request process including the development of a more robust system with expanded capabilities and greater user capacity with SQL technology.
- For processes where the key tracking components are not easily reportable out of the [REDACTED] system, databases are being created to track progress towards completion of required actions. Loss Drafts, MERS and New Accounts have recently implemented such databases.

External Controls:

- SAS reviews controls as part of its departmental audits conducted at least annually. If control deficiencies are reported in an audit, an action plan is required. Once the action plan is completed, SAS retests to ensure the issue or risk has been properly mitigated or eliminated.
- Consumer Banking Operation and Compliance Risk Group will conduct control effectiveness as described in Section A-4.

As it relates to ongoing monitoring, reporting & communications:

[REDACTED]

Internal – Servicing QC Processes:

- Many departments have formalized QC programs, including: Custodian, Client Services, and New Account Setup. For these programs, Team Leads sample loans processed by the department. Employees are given direct feedback on their performance and reinforcement training where needed. Other departments conduct informal reviews of each employee's work periodically as part of the performance review process.
- Core Servicing regularly reviews the work performed by its third-party suppliers. For example, tax services work is monitored on a regular basis via automated feeds. Additionally, Core



Servicing reviews disbursement authorization forms for automated disbursements and confirms tax amounts paid for three loans per taxing locality.

External – Servicing QC Processes:

- Mortgage Credit audits the work performed by Core Servicing. The audits verify that the work performed meets investor requirements. Mortgage Credit reviews both accuracy and timeliness criteria. The summary results are included in the monthly Mortgage scorecard.
- Additionally, SunTrust Audit verifies processing accuracy through work samples in the field work portion of their annual audits.
- Consumer Banking Operation and Compliance Risk Group will conduct QC testing as described in Section A-4.

Additional QC Processes – Underway:

Servicing managers are in the process of implementing several programs focusing on improved quality:

Mortgage instituted two Process Quality programs, with two more planned by year-end. Process Quality programs audit a client request taken in Client Services, through completion to verify that the client's request was completed accurately and within expected timeframes. Results are reported and a senior management report is produced. The results are used to identify process improvement opportunities and correct any tasks not accurately completed. Detailed loan information is provided to managers to facilitate employee feedback and coaching. The first two Process Quality programs are focused on misallocated payments and escrow shortage payment requests. Two additional programs, escrow analysis and tax research requests, will be added by year-end.

As discussed in Section A-11, self evaluation and testing of critical processes occur both within the business and risk functions through a combination of QA and QC programs. While most of the testing programs provide valuable feedback on the execution of critical processes and controls, there is no formalized program to direct the businesses on the creation and execution of these testing programs. Corporate Operational Risk in coordination with Consumer Banking Operational Risk and Compliance is working to develop a Testing Framework/Program document by November 2011 to provide the business guidance on the definitions and expectations around the design and implementation of QA and QC programs. Such guidance will ensure proper delineation and application of these programs, identify the appropriate areas of focus for these programs, and eliminate potential duplication of efforts between the business and risk partners. Core Servicing will evaluate and develop a QC and QA action plan by February 2012 based on the testing guidelines provided by Corporate Operational Risk in November 2011.



Servicing managers expect employees to meet benchmark processing levels and to process work accurately. Managers will formally establish key performance metric expectations for accuracy as well as timeliness and formally communicate them to employees.

Current Processing Procedures and Performance Monitoring:

- Most Core Servicing functions have detailed department procedures published on the Retail Lending Guide (an internal Intranet site). Some areas, such as Lien Release, intentionally do not post their department procedures on the Retail Lending Guide site due to security reasons.
- To increase processing accuracy and adherence to procedures, department managers require employees to use automated scripts for numerous manual multi-step processes. The

automated scripts guide employees through the completion of tasks following department procedures that are in compliance with investor guidelines. Use of the automated scripts ensures employees complete the work in a standard manner complying with documented department procedures.

- Client Services produces a monthly scorecard rating for each agent to monitor their performance. The measures are unique to the Customer Service environment; Gallup survey score, average call handling time, staffed in time, sales referrals, and returned tasks (an accuracy measure – did they adhere to procedures to correctly record the client’s request and relay it to the processing department). Team leads monitor agent calls and provide feedback and coaching to improve service levels.
- Other departments have formal QC programs at the employee level, including: Custodian, Client Services, and New Account Setup. A sample of completed work is reviewed for accuracy, adherence to policies and procedures, and completion timeliness.

Underway -- Updating Procedures To Include Key Performance Metrics:

- PwC has been engaged to update Servicing procedures (as addressed in Section B-8). Where applicable, key performance metrics for both accuracy and timeliness are being included in written department procedures. As part of the procedures review and documentation process, PwC will provide recommendations regarding key performance metrics. Process workflows will be documented with controls matched to individual procedures.

Underway – Review Of Accuracy Metrics and Communication Of Performance Expectations:

- Managers will review the Mortgage scorecard metrics to identify where accuracy measures can be added to provide more comprehensive reporting. The Mortgage scorecard will be updated and reporting with the new measurements will begin in January 2012.
- Concurrent with the Mortgage scorecard review, managers will define and document proficiency standards for each department. The current OTJ process will be enhanced by defining criteria to demonstrate that new hires have reached proficiency levels. Proficiency levels will be based on accuracy requirements, adherence to policies and procedures, and meeting benchmark standard throughput rates.
- Employee performance criteria will be communicated by year-end 2011 and incorporated into 2012 employee performance expectations. Measurements will include timelines, accuracy, and compliance with departmental policies and procedures.

12. *Wherever possible management should continue to introduce automation in its operations to gain efficiencies and reduce errors.*

It has always been SunTrust Bank’s goal to identify automation opportunities that improve efficiency or reduce errors where feasible. The number of technology changes scheduled in 2011 and 2012 is a testament to our efforts to improve efficiency, reduce errors, maintain regulatory compliance and support business opportunities.

Action Plans

Reference	Assigned To	Action Item / Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)
B-1		Inventory and assess risk of third party service providers for Core Servicing.	List of third party service providers by Risk Class.	January 2012



Reference	Assigned To	Action Item / Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)
B-3		Evaluate need for a benchmarking study regarding lender placed insurance premiums.	Artifact documenting management's decision regarding a benchmarking study on lender placed insurance premiums.	December 2011
B-5.1		Develop and implement formal STU new-hire training program (including procedures to escalate client complaints).	Ongoing monthly new hire program listed as part of STU curricula.	December 2011
B-5.2		Document new hire On-the-Job-Training graduation criteria.	Documentation of proficiency levels and methods for measurement/recording.	December 2011
B-5.3		With HR, determine feasibility of a written assessment requirement to test knowledge of departmental policies and procedures for new hires.	Documentation of discussion with HR; final decision.	October 2011
B-8		Document all process and procedures with appropriate level of detail. Document all current KPIs, KRI, and controls.	Final process, procedures, and control matrix documents.	December 2011
B-9.1		Enhance manual controls for monetary transaction requests, including check requests, to include implementation of authorization limits and a QC validation program.	Documentation of new controls, and inclusion of such controls in annual control testing criteria.	October 2011
B-9.2		Submit Business Opportunity Request to automate the manual check request process including the development of a more robust system with expanded capabilities and greater user capacity with SQL technology.	Completed Business Opportunity Request	December 2011
B-10.1		Develop a QA/QC plan for Servicing based on Testing Guidance from Corporate Operational Risk.	Action Plan to develop QA/QC in Servicing.	February 2012
B-10.2		Implement Process Quality programs for Mortgage –goal of 4 by year-end.	Mortgage Process Quality Reporting	December 2011
B-11.1		Define proficiency levels for each department, tied to throughput rates and quality scores.	Documented proficiency levels mapped to throughput rates and quality scores.	December 2011



Reference	Assigned To	Action Item / Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)
B-11.2		Review scorecard metrics and where appropriate, add accuracy metrics.	Additional metrics added to scorecard.	December 2011
B-11.3		Include performance metrics on each employee's InBalance goals and performance evaluations (measured against new proficiency levels).	Updated InBalance forms	December 2011

7.4 C - Collections Operations

As it relates to third-party service provider management and monitoring:

■ [REDACTED]

The SunTrust Mortgage Independent Consultants' Risk Assessment of Servicing and Default Operations cited four vendors as "...critical to the Collections Department's business processes". The four vendors are [REDACTED]. Three of the four vendors – [REDACTED] and [REDACTED] – are designated by SunTrust Supply Chain Management as *Critical* or *Collaborative* suppliers and, therefore, are subject to the third-party monitoring program defined in the Relationship Management Playbook. [REDACTED] was added to the SCM's *Collaborative* risk tier as of 3Q2011, subsequent to the Risk Assessment.) The fourth vendor cited in the Risk Assessment – [REDACTED] – is designated by SCM as a *Functional* supplier and subject to performance management and monitoring standards established by the Consumer Banking LOB. Additional information about the methodology used to categorize suppliers into the different tiers can be found in third paragraph of the response to this section.

The Consumer Banking LOB has developed standards and procedures for managing and monitoring *Functional* suppliers, and the LOB has articulated those standards and procedures in two documents – the "Consumer Banking Supplier Management Program" and the "Consumer Banking Supplier Management Procedures". The two documents were completed and published on July 12, 2011. Implementation of the CB SMP in the various business units of the LOB is scheduled to be completed in waves with priority implementation assigned to certain Default Management (i.e., Foreclosure, Loss Mitigation, and Bankruptcy [attorney suppliers only]) and Loan Servicing business units.

The CB SMP requires a risk assessment to be performed on each third party service provider. The business units are responsible for performing this activity. Based on the results of the risk assessment, the supplier is assigned to one of four risk classes which determine the performance management and monitoring requirements for the supplier. Suppliers deemed critical to a business unit are assigned to the highest risk class (*Risk Class 1*) and are subject to performance management and monitoring requirements commensurate to suppliers in SCM's *Critical* and *Collaborative* risk tiers (as defined in the Relationship Management Playbook). The business unit *Department Supplier Manager Lead* is responsible for monitoring suppliers, with oversight by the CB Program Risk Officer.

The CB SMP has not yet been implemented in the Collections Department, however, [REDACTED] will be designated a critical (*Risk Class 1*) supplier and subject to the corresponding performance management and monitoring standards. A *Risk Class 1* performance monitoring plan for [REDACTED] will be prepared by December 31, 2011. Full implementation of the CB SMP in Collections will be scheduled during 2012.

For reference purposes, the other sections that include information related to vendor management, monitoring and reporting are B-2, C-2, E-6, E-9, F-7, F-10, G-2 and G-3.



[REDACTED]

The CB SMP establishes certain standards for performance management and monitoring of third party service providers according to the *Risk Class* to which the supplier is assigned (see description of *Risk Class* in the response to Section C-1). For third party providers in *Risk Class 1, 2 or 3*, direct feedback to the supplier regarding supplier performance is required. The highest risk suppliers (i.e., *Risk Class 1*, suppliers that are deemed critical to business operations) receive performance feedback at least quarterly. Moderate and low risk suppliers (*Risk Class 2* and *Risk Class 3*) receive performance feedback at least annually. Full implementation of the CB SMP in Collections will be scheduled during 2012.

For reference purposes, the other sections that include information about defining performance metrics for third party service providers are E-8, F-9 and G-2.

As it relates to personnel and systems resource management:

[REDACTED]

Default management will schedule monthly meetings to facilitate information sharing on impacts of investor requirements, regulation or process/system changes across the Default function and with respective business partners. A weekly newsletter identifying new content or changes to investor guidelines, regulatory changes, Default operational process changes, and system updates will also be developed. This newsletter will incorporate overall information regarding the Default business such as successes and observations. Additionally, an alert system will be established to quickly disseminate information across the Default functions as appropriate.

[REDACTED]

Management has scheduled the final two releases that will complete the implementation of the SunTrust mortgage platform [REDACTED] application for Default workflow management, with the first release scheduled for November 2011 and the second in December 2011. The first phase will install the workflow and software enhancements to support Article 6 of the Consent Order Single Point of Contact Program. Included in this deployment is the ability to process Government (FHA/VA) and Private Investor loans. The second release will convert the Government and Private Investor loan portfolios onto the [REDACTED] platform. With the completion of these two deployments, SunTrust will have the ability to provide default servicing for SunTrust owned and serviced mortgages on a single platform. In addition, the installation will provide the workflow, automation, and enhanced controls necessary to meet the Single Point of Contact requirements.

Action Plans

Reference	Assigned To	Action Item / Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)
C-1.1	[REDACTED]	Ensure four critical Collections Department suppliers [REDACTED] are monitored and managed according to the SCM Playbook.	Assignment of Collections Department critical suppliers [REDACTED] to SCM's <i>Critical</i> or <i>Collaborative</i> lists. Assignment of [REDACTED] to <i>Risk Class 1</i> under CB Supplier Management Program.	December 2011
C-1.2	[REDACTED]	Inventory and risk assess all Collections Department suppliers to identify any additional "critical" suppliers.	Assignment of additional Collections Department critical suppliers to SCM's <i>Critical</i> or <i>Collaborative</i> lists or to <i>Risk Class 1</i> under CB Supplier Management Program.	March 2012
C-3	[REDACTED]	Implement enhanced communication capabilities within the Default Group including a weekly newsletter, staff agendas, and material email alerts Development of weekly newsletter.	Newsletter developed and in distribution.	December 2011
C-4.1	[REDACTED]	Installation of [REDACTED] software supporting Consent Order Single Point of Contact, Servicer Alignment initiative and Government/Private Investor loans.	Report showing newly delinquent Government/Private Investor loans are being serviced on [REDACTED]	November 2011
C-4.2	[REDACTED]	Conversion of Government/Private Investor loans onto [REDACTED] platform.	Report showing delinquent Government/Private Investor loans have been converted to [REDACTED] platform.	December 2011

[REDACTED]

While several identified metrics are still in development, management recently enhanced its inventory of key operational metrics. The operational metrics focus on both quality operations and compliance, primarily with timelines, and are reported monthly to the Default Manager. Additionally, the Corporate Procedures and Process Project is updating the Loss Mitigation LOB procedures, while Key Risk and Key Performance Indicators are identified. Management will then develop reporting on these indicators as appropriate. A plan for addressing any new KRIs will be in place by the end of November 2011.

[REDACTED]

The Default Management Business Group is developing an electronic application to house all investor guidelines and associated updates by year end. The application will serve as an additional resource for business managers and line managers. Functionality is expected to include a searchable index with hyperlinks to specific guidelines as well as a keyword search. Internal Service Level Agreements (“SLAs”) will be put into place to ensure timely and appropriate updates. Implementation will occur in two phases. Phase one is the initial development, and will be completed by December 2011. Phase two will consist of testing the application’s functionality and making needed modifications, and will be completed by March 2012.

[REDACTED]

Default Management’s centralized QC team performs monthly testing of critical processes and controls. Findings, including remediation plans and due dates, are presented to the Default Manager on a monthly basis. Default is also in the process of establishing QA teams within each Default LOB, including Loss Mitigation. The QA teams will review critical processes and data elements to identify system, process, or people (training or skill set) issues and implement changes to remediate them. Default Management’s separate and centralized QC team will implement additional control testing as emerging risks are identified.

For reference purposes, the other sections that include information related to the Default QC and QA teams are E-3 and F-3.

As it relates to personnel and systems resource management:

[REDACTED]

Loss Mitigation is undergoing a Time and Motion Study to build a more robust staffing model with defined productivity benchmarks that incorporate volumes and quality metrics. The study is being completed by the Productivity and Efficiency group within SunTrust Mortgage. The study will be completed along with a revised staffing model by the end of 2011.

[REDACTED]

To manage production volumes and process changes, Loss Mitigation has increased staff by approximately 48 FTE positions since July 2011. Loss Mitigation has started to add Home

Preservation Client Representatives using a phased approach, which started in September 2011 and will continue through May 2012. Default Management will continue to monitor staffing in Loss Mitigation and incorporate the revised staffing needs based on the legacy staffing model benchmarks, until completion of Section D-6 where those staffing models are being revised.

STU will create and provide training to new and experienced Default personnel to promote consistent processing within the group. STU will assess the training needs and develop training for all departments impacted by Article 12 of the Consent Order: Loss Mitigation, Foreclosure, Mortgage Loan Servicing, and Single Point of Contact. Training will also be assessed, created, and provided to all other Default areas such as Bankruptcy, Collections, and Real Estate Owned. This training will be based upon the current environment processes and procedures.

STU will follow the Assessment, Design and Develop, Implement, Evaluate (“A.D.D.I.E.”) methodology when creating the training. This begins with an Assessment to analyze the gaps between the current training and training that is needed in order to address the Consent Order. After reviewing the analysis results, the Design and Development of the various training solutions occurs. This includes producing the different training solutions, verifying the content with subject matter experts, creating the courses, materials, leader’s guides, and supporting resources for the training. For the Implementation, STU creates a delivery strategy and plan to test and then launches the training. ILT courses are scheduled and listed in STU’s Learning Portal. WBT courses are also uploaded into the Learning Portal. The training will be evaluated no less than annually to include any changes or updates to course content.

In addition to training that is being provided as a response to the Consent Order, STU also provides training to assist with coaching, development, and performance management. The list below is a sample of such available training:

- Essentials for New Managers: Building a Foundation
- Essentials for New Managers: Managing and Redirecting Performance
- Essentials for New Managers: Employee Engagement
- Supporting Management Development
- Manager Academy
- Leadership Development Program

The variety of job-specific and optional training within STU provides employees with a holistic learning environment.

Training specifically created for the Consent Order will be delivered no less than annually. The completion by associated employees will be tracked and documented through STU’s Learning Portal, where managers and employees may view the list of courses they have completed as well as any outstanding mandatory training. STU will review the content of all training resulting from the Consent Order on an annual basis. During these intervals, this training will be evaluated and updated as needed to include changes or new information.

As it relates to ongoing monitoring, reporting and communication:

As mentioned in Section D-5, Loss Mitigation is building out a dedicated QA team to review all necessary workout decisions. A second group of QA analysts will be dedicated to reviewing the system of record for completeness and accuracy of data. Both teams will analyze data for trends and



perform root cause analysis to identify system, process or people (training or skill set) issues and implement changes to remediate starting January 2012.

[REDACTED]

Default's centralized QC team performs monthly testing of critical processes and controls. The QC team will implement additional control testing as emerging risks are identified, as addressed in Section D-5. [REDACTED] In support of Section A-11, Loss Mitigation will develop and implement a QA program with clearly defined requirements for each type of transaction reviewed, as well as reporting to assist management in developing action plans to remediate issues by March 2012.

Action Plans

Reference	Assigned To	Action Item / Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)
D-2	[REDACTED]	Document all process and procedures with appropriate level of detail. Document all current KPIs, KRI, and controls.	Final process, procedures, and control matrix documents.	December 2011
D-3.1	[REDACTED]	Develop and Implement Monthly Operational Metric Reporting routine.	Monthly Operational Metric report for Default Manager.	November 2011
D-3.2	[REDACTED]	Develop reports for identified metrics in procedures.	Establish metrics and reporting on metrics.	March 2012
D-4.1	[REDACTED]	Phase 1 - Implement an electronic application housing investor guidelines and updates.	Implementation of application	December 2011
D-4.2	[REDACTED]	Complete Phase 2 of implementation, testing the application's functionality and making needed modifications.	Application testing and modification	March 2012
D-4.3	[REDACTED]	Develop key performance indicators based on investor guidelines.	Monthly management reporting.	December 2011
D-5	[REDACTED]	Develop centralized QC team.	Monthly reports detailing findings, remediation, owner, due dates.	Complete – September 2011 (Ongoing)
D-6.1	[REDACTED]	Implement a time and motion study for the Loss Mitigation Operations Group.	Output of time and motion study finalized.	December 2011



Reference	Assigned To	Action Item / Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)
D-6.2		Define productivity benchmarks and design appropriate staffing model.	Productivity Benchmarks and staffing model approved.	December 2011
D-7.1		Add to staff to meet volume demands for Loss Mitigation operations based on relevant staffing model.	Appropriate staff per the model; may include active job postings to meet the target state.	December 2011
D-7.2		Add staff to address Home Preservation Client Representative need	Using phased approach to add Home Preservation Client Representatives.	May 2012
D-8		Implement/deliver and further evaluate training to Loss Mitigation regarding department procedures.	<p>Instructor Lead Classes: publish the training schedule for these classes in STU's Learning Portal</p> <p>Online courses: the courses are accessible through STU's Learning Portal</p> <p>Completion reports from STU's Learning Portal of both instructor lead and on-line courses.</p> <p>Update training content to include changes</p>	January 2012
D-9.1		Authorization and approval for development of QA staff in Loss Mitigation.	QA organization will be divided into two teams, 1 team for decisions and 1 team for quality	November 2011
D-9.2		Develop QA program which includes process, procedures and reporting in Loss Mitigation.	Output of process map, procedures and reporting structure and distribution	February 2012
D-9.3		Implementation of the QA program in Loss Mitigation.	An established Loss Mitigation QA team	March 2012

7.6 E – Bankruptcy Processing

As it relates to the internal control environment:

█ [REDACTED]

To instill a control culture, management will ensure the Corporate Process and Procedures Initiative will include controls and KPIs. Reviewing the scope, span, content, and usage of policies and procedures will be added as a permanent agenda item at the monthly Bankruptcy management staff meeting. Additionally, the review of policies and procedures will be a permanent agenda item for all Default staff meetings. Procedure governance will continue to be integral to the Default Business Group to ensure that procedures are appropriately developed, maintained, and updated.

Furthermore, all Default Management personnel, including supervisors, will be required to complete the Risk and Control WBT that is currently in development. Completion and mastery of the WBT is required by December 31, 2011. Refer to Section A-2 of this response for information related to the WBT.

Finally, because Risk Management is an integral part of our Corporate Performance Management System, Default Management will ensure that each employee's performance is evaluated and scored based on incorporating safety and soundness considerations into all business activities, proactively identifying and managing risk, demonstrating sound judgment relative to risk, communicating identified risks, and adhering to laws, regulations, policies, procedures, and controls.

█ [REDACTED] █

Existing Bankruptcy process and procedures have recently been reviewed and reflect current business processes. By December 31, 2011, current policies, processes, procedures, KPIs, KRIs, and controls will be documented with the appropriate level of detail across STM. This effort includes the Bankruptcy department as well as all other Mortgage Default, Servicing, Origination, and Support groups. We have engaged teams of subject-matter-experts from PwC and Accenture to complete the documentation effort and to assess the quality of the current process and procedures. During the documentation phase, all observable gaps, opportunities, and issues will be noted and turned over to business managers for inclusion in improvement plans (as addressed in Section I-1 of this response).

To ensure this documentation remains current, we are adding a Process and Procedures Resource Group which will serve as a shared service within the business supporting the maintenance, development, and governance of the business process and procedure documentation. All documents will be maintained in a central repository overseen by this team of technical writers. The central team will ensure updates are appropriately reviewed, enforce version control standards, maintain inventory reports, and provide executive reporting. This team will launch in October 2011 and be fully implemented by February 2012.

The future governance routines will include reviews of processes and procedures with support from Risk, Compliance, Legal, and other stakeholders. Business Managers will retain primary accountability for maintaining efficient, effective, and well managed process and procedures. We will fully implement a training and governance plan that enables business manager accountability for owning, updating, and certifying processes and procedures as current by February 2012.

[REDACTED]

Default Management's centralized QC team performs monthly testing of critical processes and controls. Findings, including remediation plans and due dates, are presented to the Default Manager on a monthly basis. Default is also in the process of establishing QA teams within each Default LOB, including Bankruptcy. The QA teams will review critical processes and data elements to identify system, process, or people (training or skill set) issues and implement changes to remediate them. Default Management's separate and centralized QC team will implement additional control testing as emerging risks are identified.

For reference purposes, the other sections that include information related to the Default QA and QC teams are D-5 and F-3.

[REDACTED]

As mentioned in Section E-3, Bankruptcy is building out a dedicated QA team. The QA teams will review critical processes and data elements to identify system, process, or people (training or skill set) issues and implement changes to remediate identified issues. The teams will review documents, affidavits, and records for completeness. In addition, loans will be reviewed ensuring compliance with regulations, investor guidelines and policies. The team will analyze data for trends and perform root cause analysis to identify system, process or people issues and implement changes to remediate.

[REDACTED]

The QC program for each Default LOB will be aligned to company procedures, investor guidelines, and state and federal regulations. Monthly reporting to Default Management will include test results and remediation plans with due dates as applicable. Additionally, the monthly reports will include all open remediation plans and due dates to maintain visibility into the remediation status.

As it relates to the third-party service provider management and monitoring:

[REDACTED]

The CB SMP establishes certain standards for performance management and monitoring of third party service providers, including bankruptcy attorneys. The CB SMP requires that suppliers be assessed for risk relative to the services provided. Based on the assessed level of risk, the Program requires periodic performance reviews, which include the preparation of performance scorecards that measure actual performance against defined service level expectations. The results of the performance review, along with any necessary remediation actions, are then reported back to and discussed with the supplier. The business unit Department Supplier Manager Lead is responsible for monitoring the supplier's progress on any required remediation actions.

Implementation of the CB SMP framework for bankruptcy attorneys is in process and targeted for completion by December 31, 2011.

For reference purposes, the other sections that include information related to vendor management, monitoring and reporting are B-2, C-1, C-2, E-9, F-7, F-10, G-2 and G-3.



[REDACTED]

SunTrust will inventory all third party providers of bankruptcy services and assess the risk of each provider relative to the services provided. Each supplier will be assigned to one of four risk classes, where *Risk Class 1* applies to the highest risk or most critical suppliers, and *Risk Class 4* represents the lowest risk suppliers (typically, small dollar and/or single transaction suppliers). The risk class ratings of suppliers are reviewed and updated, if appropriate, throughout the supplier relationship, including when first on-boarded, during annual reviews, or whenever SunTrust deems a risk class change necessary. The inventory and risk assessment of bankruptcy attorneys will be completed by December 31, 2011. The initial inventory and preliminary risk assessment of all other bankruptcy suppliers will be completed by December 31, 2011.

The CB SMP Department Supplier Manager Lead is responsible for ensuring that supplier files are maintained. The Consumer Banking LOB has developed standards and procedures for engaging, managing and monitoring Functional suppliers, and the LOB has articulated those standards and procedures in two documents – the CB SMP and the “Consumer Banking Supplier Management Procedures” (Refer to Appendix C and Appendix D).

For reference purposes, the other sections that include information about developing an inventory of suppliers are B-1, F-8 and G-1.

[REDACTED]

Based on the preliminary risk assessment process defined in the response to Section E-7, SLAs and performance metrics will be established for third party service providers assigned to Risk Class 1, 2 or 3. SLAs and performance metrics will be established for bankruptcy attorneys by December 31, 2011. SLAs and performance metrics will be established for all other Risk Class 1, 2 or 3 Bankruptcy suppliers by March 2012.

As outlined in the CB SMP, *Risk Class 4* represents single event, low volume, or low dollar contracts; or, a non-negotiated service that the business unit must pay, e.g., Home Owners Associations, governmental agencies, County Tax Collectors, public utility companies, etc.

For reference purposes, the other sections that include information about defining performance metrics for third party service providers are C-2, F-9 and G-2.

[REDACTED]

See response to Section E-6.

For reference purposes, the other sections that include information related to vendor management, monitoring and reporting are B-2, C-1, C-2, E-6, F-7, F-10, G-2 and G-3.

As it relates to the personnel resource management:

[REDACTED]

[REDACTED]

Bankruptcy is undergoing a Time and Motion Study to build a more robust staffing model with defined productivity benchmarks incorporating volumes and quality metrics. The study is being completed by the Productivity and Efficiency group within SunTrust Mortgage. The study will be completed along with a revised staffing model, by December 31, 2011.

[REDACTED]

To manage production volumes and process changes, Bankruptcy has filled five FTE positions since July 2011. Default Management will continue to monitor staffing in Bankruptcy and incorporate the revised staffing needs based on the legacy staffing model benchmarks, until completion of Section E-10 where the models are being revised.

[REDACTED]

[REDACTED]

STU will create and provide training to new and experienced Default personnel to promote consistent processing within the group. STU will assess the training needs and develop training for all departments impacted by Article 12 of the Consent Order: Loss Mitigation, Foreclosure, Mortgage Loan Servicing, and Single Point of Contact. Training will also be assessed, created, and provided to all other Default areas such as Bankruptcy, Collections, and Real Estate Owned. This training will be based upon the current environment processes, and procedures. STU will follow the A.D.D.I.E. methodology when creating the training. This begins with an Assessment to analyze the gaps between the current training and training that is needed in order to address the Consent Order. After reviewing the results, the Design and Development of the various training solutions occurs. This includes producing the different training solutions, verifying the content with subject matter experts, creating the courses, materials, leader's guides, and supporting resources for the training. For the Implementation, STU creates a delivery strategy and plan to test and then launches the training. ILT courses are scheduled and listed in STU's Learning Portal. WBT courses are also uploaded into the Learning Portal. The training will be evaluated no less than annually to include any changes or updates to course content.

In addition to training that is being provided as a response to the Consent Order, STU also provides training to assist with coaching, development, and performance management. The list below is a sample of such available training:

- Essentials for New Managers: Building a Foundation
- Essentials for New Managers: Managing and Redirecting Performance
- Essentials for New Managers: Employee Engagement
- Supporting Management Development]
- Manager Academy
- Leadership Development Program

The variety of job-specific and optional training within STU provides employees with a holistic learning environment.



Training specifically created for the Consent Order will be delivered no less than annually. The completion by associated employees will be tracked and documented through STU’s Learning Portal, where managers and employees may view the list of courses they have completed as well as any outstanding mandatory training. STU will review the content of all training resulting from the Consent Order on an annual basis. During these intervals, this training will be evaluated and updated as needed to include changes or new information.

Action Plans

Reference	Assigned To	Action Item / Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)
E-2		Document all process and procedures with appropriate level of detail. Document all current KPIs, KRIs, and controls.	Final process, procedures, and control matrix documents.	Complete – September 2011
E-3		Develop centralized QC program	Monthly reports detailing findings, remediation plan with owner, and due dates	Complete (Ongoing) – September 2011
E-4.1		Authorization and approval for development of QA staff in Bankruptcy	QA organization will be divided into two teams, 1 team for decisions and 1 team for quality	November 2011
E-4.2		Develop QA program which includes process, procedures and reporting in Bankruptcy	Output of process map, procedures and reporting structure and distribution	February 2012
E-4.3		Implementation of the QA program in Bankruptcy	Established Bankruptcy QA team	March 2012
E-5		Development of detailed trend analysis reporting for Bankruptcy QC to assist management in developing action plans to remediate ongoing issues.	Detailed trend analysis reporting to assist management in developing action plans to remediate ongoing issues.	February 2012
E-7		Inventory and risk assess third party suppliers including bankruptcy attorneys and non-attorney suppliers	Inventory of bankruptcy attorneys by Risk Class.	December 2011
E-8.1		Phase 1 - Establish performance metrics/SLAs for bankruptcy attorneys, based on risk classification.	Performance metrics/SLAs for bankruptcy attorneys, based on risk classification.	December 2011



Reference	Assigned To	Action Item / Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)
E-8.2		Phase 2 - Establish performance metrics/SLAs for bankruptcy suppliers excluding attorneys, based on risk classification.	Performance metrics/SLAs for bankruptcy suppliers other than attorneys, based on preliminary risk classification.	March 2012
E-10.1		Implement a time and motion study for Bankruptcy	Output of time and motion study finalized	December 2011
E-10.2		Define productivity benchmarks and staffing model design for Bankruptcy	Productivity Benchmarks and staffing model approved	December 2011
E-11		Add to staff to meet volume demands for Bankruptcy operations based on relevant staffing model	Appropriate staff per the model; may include active job postings to meet the target state	December 2011
E-12		Implement/deliver and further evaluate training to Loss Mitigation regarding department procedures	<p>Instructor Lead Classes: publish the training schedule for these classes in STU's Learning Portal</p> <p>Online courses: the courses are accessible through STU's Learning Portal</p> <p>Completion reports from STU's Learning Portal of both instructor lead and on-line courses.</p> <p>Update training content to include changes</p>	January 2012

7.7 F – Foreclosure Processing

As it relates to the internal control environment:

█ [REDACTED]

To instill a control culture, management will ensure the Corporate Process and Procedures Initiative will include controls and KPIs. Reviewing the scope, span, content, and usage of policies and procedures will be added as a permanent agenda item at the monthly Foreclosure management staff meeting. Additionally, the review of policies and procedures will be a permanent agenda item for all Default staff meetings. Procedure governance will continue to be integral to the Default Business Group to ensure that procedures are appropriately developed, maintained, and updated.

Furthermore, all Default Management personnel, including supervisors, will be required to complete the Risk and Control WBT that is currently in development. Completion and mastery of the WBT is required by December 31, 2011. Refer to section A-2 of this response for information related to the WBT.

Finally, because Risk Management is an integral part of our Corporate Performance Management System, Default Management will ensure that each employee's performance is evaluated and scored based on incorporating safety and soundness considerations into all business activities, proactively identifying and managing risk, demonstrating sound judgment relative to risk, communicating identified risks, and adhering to laws, regulations, policies, procedures, and controls.

█ [REDACTED]

Existing Foreclosure process and procedures have recently been reviewed and updated to reflect current processes as well as to identify critical risk and controls. By December 31, 2011, current policies, processes, procedures, KPIs, KRIs, and controls will be documented with the appropriate level of detail across STM. This effort includes the Foreclosure department as well as all other Mortgage Default, Servicing, Origination, and Support groups. We have engaged teams of subject-matter-experts from PwC and Accenture to complete the documentation effort and to assess the quality of the current process and procedures. During the documentation phase, all observable gaps, opportunities, and issues will be noted and turned over to business managers for inclusion in improvement plans (as addressed in Section I-1 of this response).

To ensure this documentation remains current, we are adding a Process and Procedures Resource Group which will serve as a shared service within the business supporting the maintenance, development, and governance of the business process and procedure documentation. All documents will be maintained in a central repository overseen by this team of technical writers. The central team will ensure updates are appropriately reviewed, enforce version control standards, maintain inventory reports, and provide executive reporting. This team will launch in October 2011 and be fully implemented by February 2012.

The future governance routines will include reviews of processes and procedures with support from Risk, Compliance, Legal, and other stakeholders. Business Managers will retain primary accountability for maintaining efficient, effective, and well managed process and procedures. We will fully implement a training and governance plan that enables business manager accountability for owning, updating, and certifying processes and procedures as current by February 2012.

[REDACTED]

Default Management’s centralized QC team performs monthly testing of critical processes and controls. Findings, including remediation plans and due dates, are presented to the Default Manager on a monthly basis. Default is also in the process of establishing QA teams within each Default LOB, including Foreclosure. The QA teams will review critical processes and data elements to identify system, process, or people (training or skill set) issues and implement changes to remediate them. Default Management’s separate and centralized QC team will implement additional control testing as emerging risks are identified.

For reference purposes, the other Sections that include information related to the Default QA and QC teams are D-5 and E-3.

[REDACTED]

As mentioned in Section F-3, Foreclosure is in the process of building out a dedicated QA team. The QA team will review critical processes and data elements to identify system, process, or people (training or skill set) issues and implement changes to remediate them. In addition, loans will be reviewed, ensuring compliance with regulations, investor guidelines and policies. The team will analyze data for trends and perform root cause analysis to identify issues and implement further changes to remediate.

[REDACTED]

The QC program for Default Management will be aligned to business procedures, investor guidelines, and state and federal regulations. Monthly reporting to Default Management will include test results and remediation plans with due dates, as applicable. Additionally, the monthly reports will include all open remediation plans and due dates to maintain visibility into the remediation status.

[REDACTED]

[REDACTED]

Default will notify its foreclosure attorneys that the attorneys are responsible for complying with the Service-member Civil Relief Act (“SCRA”) as well as state laws pertaining to service members. The attorneys will also be notified they must validate the borrower’s military service status as close to the time of the foreclosure sale as practicably possible. In addition to the attorney notification, the appropriate foreclosure procedures will be updated to reflect the revalidation requirement. The Foreclosure LOB will implement an internal control whereby foreclosure sales documents will be reviewed to ensure that the attorneys are revalidating the borrower’s military service status consistent with our requirement and providing SunTrust with the proper documentation.



As it relates to the monitoring and management of third-party service providers:

[REDACTED]

The CB SMP establishes certain standards for performance management and monitoring of third party service providers, including foreclosure attorneys. The CB SMP requires that suppliers be assessed for risk relative to the services provided. Based on the assessed level of risk, the Program requires periodic performance reviews, which include the preparation of performance scorecards that measure actual performance against defined service level expectations. The results of the performance review, along with any necessary remediation actions, are then reported back to and discussed with the supplier. The business unit Department Supplier Manager Lead is responsible for monitoring the supplier's progress on any required remediation actions.

Implementation of the CB SMP framework for foreclosure attorneys is in process and targeted for completion by December 31, 2011.

For reference purposes, the other sections that include information related to vendor management, monitoring and reporting are B-2, C-1, C-2, E-6, E-9, G-2 and G-3.

[REDACTED]

SunTrust will inventory all third party providers of foreclosure services and assess the risk of each provider relative to the services provided. Each supplier will be assigned to one of four risk classes, where *Risk Class 1* applies to the highest risk or most critical suppliers, and *Risk Class 4* represents the lowest risk suppliers (typically, small dollar and/or single transaction suppliers). The risk class ratings of suppliers are reviewed and updated, if appropriate, throughout the supplier relationship including when first on-boarded, during annual reviews, or whenever SunTrust deems a risk class change necessary. The initial inventory and risk assessment of foreclosure suppliers will be completed by December 2011.

The CB SMP Department Supplier Manager Lead will be responsible for ensuring that supplier files are maintained. The Consumer Banking LOB has developed standards and procedures for engaging, managing and monitoring functional suppliers, and the LOB has articulated those standards and procedures in two documents – the CB SMP and the “Consumer Banking Supplier Management Procedures” (Refer to Appendix C and Appendix D).

For reference purposes, the other sections that include information about developing an inventory of suppliers are B-1, E-7 and G-1.

[REDACTED]

Based on the risk assessment process defined in the response to Section F8, SLAs and performance metrics will be established for third party service providers assigned to Risk Class 1, 2 or 3. As outlined in the CB SMP, Risk Class 4 represents single event, low volume, or low dollar contracts; or, a non-negotiated service that the business unit must pay, e.g., Home Owners Associations, governmental agencies, County Tax Collectors, public utility companies, etc.



SLAs and performance metrics will be established for foreclosure attorneys by December 31, 2011. SLAs and performance metrics will be established for all other foreclosure suppliers by December 31, 2011

For reference purposes, the other sections that include information about defining performance metrics for third party service providers are C-2, E-8 and G-2.

[REDACTED]

See response to Section F-7.

For reference purposes, the other sections that include information related to vendor management, monitoring and reporting are B-2, C-1, C-2, E-6, E-9, F-7, G-2 and G-3.

As it relates to the personnel resource management:

[REDACTED]

Foreclosure is undergoing a Time and Motion Study to build a more robust staffing model with defined productivity benchmarks incorporating volumes and quality metrics. The study is being completed by the Productivity and Efficiency group within SunTrust Mortgage. The study will be completed along with a revised staffing model, by December 31, 2011.

[REDACTED]

To manage production volumes and process changes, the Foreclosure department has filled 52 FTE positions since July 2011. Default Management will continue to monitor staffing in Foreclosure and incorporate the revised staffing needs based on the legacy staffing model benchmarks, until completion of Section F-11 where the models are being revised.

[REDACTED]

STU will create and provide training to new and experienced Default personnel to promote consistent processing within the group. STU will assess the training needs and develop training for all departments impacted by Article 12 of the Consent Order: Loss Mitigation, Foreclosure, Mortgage Loan Servicing, and Single Point of Contact. Training will also be assessed, created, and provided to all other Default areas such as Bankruptcy, Collections, and Real Estate Owned. This training will be based upon the current environment processes, and procedures.

STU will follow the A.D.D.I.E. methodology when creating the training. This begins with an Assessment to analyze the gaps between the current training and training that is needed in order to address the Consent Order. After reviewing the results, the Design and Development of the various training solutions occurs. This includes producing the different training solutions, verifying the content with subject matter experts, creating the courses, materials, leader's guides, and supporting resources for the training. For the implementation, STU creates a delivery strategy and plan to test and then launches the training. ILT courses are scheduled and listed in STU's Learning Portal. WBT courses are also uploaded into the Learning Portal. The training will be evaluated no less than annually to include any changes or updates to course content.



In addition to training that is being provided as a response to the Consent Order, STU also provides training to assist with coaching, development, and performance management. The list below is a sample of such available training:

- Essentials for New Managers: Building a Foundation
- Essentials for New Managers: Managing and Redirecting Performance
- Essentials for New Managers: Employee Engagement
- Supporting Management Development]
- Manager Academy
- Leadership Development Program

The variety of job-specific and optional training within STU provides employees with a holistic learning environment.

Training specifically created for the Consent Order will be delivered no less than annually. The completion by associated employees will be tracked and documented through STU's Learning Portal, where managers and employees may view the list of courses they have completed as well as any outstanding mandatory training. STU will review the content of all training resulting from the Consent Order on an annual basis. During these intervals, this training will be evaluated and updated as needed to include changes or new information.

As it relates to ongoing monitoring, reporting and communication:

Management has scheduled the final two releases that will complete the implementation of the STM platform, [REDACTED] application for Default workflow management. The first release is scheduled for November 2011 and the second in December 2011. The first phase will install the workflow and software enhancements to support Article 6 of the Consent Order Single Point of Contact Program. Included in this deployment is the ability to process Government (FHA/VA) and Private Investor loans. The second release will convert the Government and Private Investor loan portfolios onto the [REDACTED] platform. With the completion of these two deployments, SunTrust will have the ability to provide default servicing for SunTrust owned and serviced mortgages on a single platform. In addition, the installation will provide the workflow, automation, and enhanced controls necessary to meet the Single Point of Contact requirements.

Since the conclusion and issuance of these Risk Assessment findings, SunTrust has developed new business process flows to support the SPC initiative, the Servicer Alignment Initiative, and the Government and Private Investor conversion. All existing business process flows for Collections, Loss Mitigation, Bankruptcy, and Foreclosure were reviewed to evaluate the impact of the SPC role. The resulting new business process design will be implemented during the two scheduled deployments in November and December, outlined in Sections C-3 and F-14 of this response.

Furthermore, SunTrust will conduct end-to-end testing to ensure that the business process requirements were correctly translated into the workflow functionality of the platform.

Manual workarounds of the [REDACTED] application are primarily the result of three scenarios. The first is the protracted implementation of the application which leveraged resources for development and delivery of the workflow application. The second is the changing and increasing set of requirements and activities required for default servicing. These new requirements and activities often require implementation with little advance notice which limits technology delivery timelines. The third scenario is the delivery capacity of [REDACTED] which has a defined set of resources for software development and delivery. Management has addressed the first and third scenarios by working with [REDACTED] to improve requirements and the delivery process for software changes. Additionally, [REDACTED] has increased their SunTrust dedicated staff which has resulted in greater delivery capacity.

We recognize that manual workarounds should be used in limited circumstances. It is important to note that manual workarounds and manual processes are not the same thing. Manual processes are an appropriate business practice and are required when automation or technology will not achieve the business requirement. An example is the foreclosure affidavit signing process which requires personal knowledge of the client's situation and written signature of the attestation. Manual workarounds result when technology is the planned approach to fulfill a business requirement, and the technology is not available or not functioning appropriately.

When a manual workaround is required to fulfill a business requirement, SunTrust will document the manual workaround with the reason for the workaround, the scope of the workaround, and the duration for the workaround. As part of the implementation of the manual workaround, management will establish and monitor operational controls as necessary to ensure the work is completed accurately.

We have begun the evaluation and revisions to the existing business processes to address several of the existing defects and manual workarounds. SunTrust has developed new business process flows to support SPC, SAI, and the completion of the Government and Private Investor conversion. All existing business process flows for Collections, Loss Mitigation, Bankruptcy, and Foreclosure were reviewed to evaluate the impact of the SPC role. The result is a new business process design that will be implemented during the two scheduled deployments in November and December.

Once the business process flows were designed, the development and delivery teams evaluated each business requirement to determine whether it required a technology or manual process to solution the requirement. Management's decision to choose a technology fulfillment or a manual fulfillment was based upon

- the business requirement
- the ability to fulfill with technology
- the timeline for delivery
- the efficiency or controls obtained through a technology based solution

As a result of this analysis, a plan was developed to deliver the fulfillment of the new business processes through a combination of both technology and manual processes. This type of evaluation will continue to be a core component of our evaluation process.

Action Plans

Reference	Assigned To	Action Item / Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)
F-2		Document all process and procedures with appropriate level of detail. Document all current KPIs, KRI, and controls.	Final process, procedures, and control matrix documents.	December 2011
F-3		Develop centralized QC team for Foreclosure	Monthly reports detailing findings, remediation plan with owner, and due dates	Complete - (Ongoing)
F-4.1		Authorization and approval for development of QA staff in Foreclosure	QA organization will be divided into two teams, 1 team for decisions and 1 team for quality	November 2011
F-4.2		Develop QA program which includes process, procedures and reporting in Foreclosure	Output of process map, procedures and reporting structure and distribution	February 2012
F-4.3		Implementation of the QA program in Foreclosure	Established Foreclosure QA team	March 2012
F-5		Development of detailed trend analysis reporting of QC results to assist management in developing action plans to remediate ongoing issues.	Detailed trend analysis reporting to assist management in developing action plans to remediate ongoing issues.	February 2012
F-6.1		Notify foreclosure attorneys that revalidation of borrower's military status is required as close to the foreclosure sale as practicable	Attorney notification documented	Complete – September 2011
F-6.2		Update appropriate foreclosure procedures requirement	Updated procedures	Complete – September 2011
F-6.3		Implement internal control to ensure foreclosure attorneys are revalidating borrower's military service status required as close to the foreclosure sale as practicable	Control Documentation	Complete – October 2011
F-8		Inventory and risk assess foreclosure attorneys and other non-attorney foreclosure suppliers	Inventory of foreclosure attorneys by Risk Class.	December 2011



Reference	Assigned To	Action Item / Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)
F-9.1		Phase 1 - Establish performance metrics/SLAs for foreclosure attorneys, based on risk classification	Performance metrics/SLAs for foreclosure attorneys, based on risk classification.	December 2011
F-9.2		Phase 2 - Establish performance metrics/SLAs for foreclosure suppliers other than attorneys, based on risk classification	Performance metrics/SLAs for foreclosure suppliers other than attorneys, based on risk classification.	December 2011
F-11		Complete time and motion study and staffing model for Foreclosure	Output of staffing requirement from model	December 2011
F-12		Add to staff to meet volume demands for Foreclosure operations based on relevant staffing model	Appropriate staff per the model; may include active job postings to meet the target state	May 2012
F-13		Implement/deliver and further evaluate training to Loss Mitigation regarding department procedures	<p>Instructor Lead Classes: publish the training schedule for these classes in STU's Learning Portal</p> <p>Online courses: the courses are accessible through STU's Learning Portal</p> <p>Completion reports from STU's Learning Portal of both instructor lead and on-line courses.</p> <p>Update training content to include changes</p>	January 2012
F-14.1		Installation of [REDACTED] software supporting Consent Order Single Point of Contact, Servicer Alignment initiative and Government/Private Investor loans.	Report showing newly delinquent Government/Private Investor loans are being serviced on [REDACTED]	November 2011



Reference	Assigned To	Action Item / Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)
F-14.2	[REDACTED]	Conversion of Government/Private Investor loans onto [REDACTED] platform.	Report showing delinquent Government/Private Investor loans have been converted to [REDACTED] platform.	December 2011

completion. Suppliers in the *Collaborative* tier are also monitored quarterly for performance trends and the SRM team supports business partners where there are areas in need of attention. Furthermore, the SRM team compiles reports on a quarterly basis for both the *Critical* and *Collaborative* tiers to define and communicate overall supplier relationship health.

Suppliers managed by the LOB are reviewed within the parameters of the *Functional* tier leveraging elements developed under the enterprise program. The Consumer Banking Supplier Management Program establishes standards for monitoring, managing and reporting on *Functional* suppliers and standards for providing feedback to the suppliers on performance issues.

For reference purposes, the other sections that include information related to vendor management, monitoring and reporting are B-2, C-1, C-2, E-6, E-9, F-7, F-10, G-2 and G-3.

As it relates to project management:

█ [REDACTED]

In partnership with Enterprise Information Services (“EIS”), the [REDACTED] (“[REDACTED]”) Program implemented a structured business requirements process in early 2010 that follows established Enterprise Project Management Office (“EPMO”) guidelines. In this process, business and technology analysts work with Subject Matter Experts (“SMEs”) identified by the business to capture the detailed business requirements that fully satisfy the approved project scope. Those requirements are reviewed and approved by all affected technical stakeholders during a series of regularly scheduled review sessions.

Subsequently, the business stakeholders and business SMEs review and approve the solution design, based on a traceability matrix that ties the elements of the proposed design to each business requirement. Throughout the project lifecycle, the LOB Owner and business stakeholders are held accountable for the quality of the approved requirements.

The impact of each reported functional gap is assessed by the project team. Any resulting request for a change in scope is managed through the program-level change management process. Adherence to this process has resulted in improved quality (adequacy and accuracy) of the business requirements, which has helped avoid unforeseen changes in the later stages of the project lifecycle.

The EPMO lies within the Corporate Finance organization and provides independent reporting to offer transparency of project performance and investment decisions. The EPMO is responsible for documentation, communication and promulgation of program and project management policies. In its role, the EPMO will continue to establish and maintain company-wide policies that govern all aspects of program and project investment including, but not limited to, project methodology, governance decision-making, and execution oversight, including risk review and status/financial reporting for large programs and projects.

CBO Management plans to expand the implementation of this business requirements process into the CBO Default organization to improve the predictability of timely solution delivery, by March, 2012.

█ [REDACTED]
█ [REDACTED]

The Mortgage Business Group implemented a revised demand management process in the Q3 2011 that controls the intake, assessment and approval, sizing, scheduling and delivery of all technology demand. Under this process, approved demand is sized through level of effort estimates from technology partners, and scheduling recommendations are created by the technology partners, based upon the available capacity of their resources.

Scheduling of delivery and implementation occurs through collaboration between the LOB and technology partners during regularly scheduled meetings. Scheduling recommendations from the technology partners are managed against business expectations and priorities. Differences are reconciled by re-prioritization of new or previously scheduled technology solution content.

CBO Management plans to expand the implementation of this demand management process into the CBO Default organization to help assess the staff required to effectively partner with EIS and the solution vendor to meet established delivery targets.

█ [REDACTED]

The Enterprise Program and Project Investment Procedures specify expectations surrounding execution oversight, including project expenditures as follows:

- Establishment of consistent business case usage and accountability for investments greater than \$█ (programs and standalone projects). Business cases are initiated during the project lifecycle, with the financial component approved by Corporate Finance. During project execution, any significant changes to the business case financials require Corporate Finance approval. At project closure, benefits are incorporated into SunTrust financial plans and forecasts.
- Accountability of program and project performance oversight by the Portfolios and associated Project Management Offices (“PMOs”).
 - PMOs accountable to monitor performance of programs and projects within the Portfolio and alignment to policy and procedures for the reporting of project expenditures, governance approvals, and benefits realization
 - EPMO role to provide governance across all program and project investments, including the framework for the capture and reporting of business cases, program and project expenses against commitments, and a governance process to account for approvals of significant changes to project cost once commitments have been made

As it relates to information systems governance:

█ [REDACTED]

A Risk Management framework has been defined to establish a consistent enterprise-level risk management approach and toolset as an integral component of successful investment delivery. More deliberate emphasis is being placed on proactive risk assessment processes during the program and project lifecycle, with specific governance decision points. Portfolios and PMOs will be accountable for following the expected procedures regarding general risk management and handling of higher risk projects when identified via the risk assessment process. In addition, significant risks identified during project execution will be reported to the EPMO for enterprise transparency. The level and extent of investment oversight and control will be commensurate with the size and complexity of the investments. In addition, the EPMO provides oversight to ensure a holistic risk management framework is being executed across the investment portfolio.

Risks associated with the delivery of EIS technology solutions is addressed via the Technical Design and Quality Assurance (“TQA”) process which proactively identifies delivery risk during the software development lifecycle. As a project is initiated and enters into the development lifecycle, a TQA risk



assessment is conducted on the project which determines whether the project is a high risk or low risk project based on the technology content. Attributes considered in this project risk assessment include interface complexity, architectural and fit to standards, clarity on system dependencies, maturity of the technology from an industry perspective, and availability of expertise internally to handle the technologies employed in the project. Those projects deemed high risk, which often involve new interfaces, vendors, or technology require increased scrutiny and review as they move through the software development processes.

█ [REDACTED]

Based on the risk assessment and supplier tier placement, a supplier is reviewed to determine adherence to relationship expectations and that issues are resolved.

Suppliers managed by the LOB are reviewed within the parameters of the functional tier. Further, the SRM team compiles reports on a quarterly basis for both the *Critical* and *Collaborative* tiers to define and communicate overall supplier relationship health and assess adherence to governance practices.

Additional information about placing suppliers into different tiers can be found in the response to Section C-1.

█ [REDACTED]

SunTrust has an End User Computing (“EUC”) policy that requires all high and medium risk EUCs to be inventoried with ORM and for specified controls to be implemented depending on risk level. The deployment of the corporate policy began in February 2011. Business areas identify EUCs and report them to ORM. The inventory process has been completed. [REDACTED]

[REDACTED]

As part of the annual BCA process (see Article 16-I of the Consent Order), EUCs and the inventory are reviewed as a check for completeness. ORM, in its review of processes and conducting the ORM Questionnaire, inquires of businesses regarding their use of EUCs to ensure that the inventory is current.

ORM will add an attestation to EUC inventory completeness as part of the annual risk and control attestation that each business area needs to sign. Any gaps that the LOBs have discovered will be mitigated by March 2012

As it relates to the internal control environment:

█ [REDACTED]

SunTrust will establish operational controls and reporting for critical technology functions to monitor and test for critical process identification. Management will implement the SunTrust RCSA process to establish a framework for identification of critical processes and controls. The RCSA process is a part of the Corporate Operational Risk Management Program that focuses on reporting key risks in the business and related quantitative ratings of impact and probability.

SunTrust will initially focus upon four primary areas for monitoring and testing.

- User Access – Management will first establish new controls and processes to ensure that user access is maintained and reconciled between the [REDACTED] and [REDACTED] platforms. The intent of this reconciliation will address system synchronization and [REDACTED] write back concerns. The existing “Not Authorized” report will be used to monitor the reconciliation as it identifies inconsistencies based upon user access, roles, and permissions between the platforms. The “Not Authorized” report will be monitored on a daily basis with two meetings weekly between the [REDACTED] application support teams and EIS. These meetings are to review items on the “Not Authorized” report, assign ownership for research and resolution, and document completion of outstanding items. Quarterly tests for the accuracy of user access will be established. The tests will be comprised of user roles, access, and permissions to be reconciled between [REDACTED] and [REDACTED].
- Account Reconciliation – Management will enhance existing reporting and controls to ensure that the number of loans being worked on both platforms is consistent. This will ensure that loans are not being excluded from processing between the platforms. The existing reports will be enhanced to manage to a “waterfall” report which begins with a specific number of loans and then sequentially accounts for them in the logic. After all known scenarios are accounted for any unaccounted for loans will be researched. The findings from the research are usually accounted for changes in data content or new procedures or requirements that need to be enhanced. These reports will be monitored on a daily basis and escalated according to procedures.
- Batch Processing – There are existing reports for monitoring and ensuring [REDACTED] [REDACTED] batch processing. Management will review these procedures and SLAs to make sure that the appropriate monitoring and escalation processes exist. In the event that SLAs are not met, the appropriate review and resolution processes will be in place to address the issue. The daily monitoring of the batch processing through established SLAs will ensure the appropriate controls are in place for application availability and integrity. These control reports will be reviewed daily and escalated according to procedures.
- Data Mapping Controls – SunTrust will complete data mapping for the following data flows: [REDACTED] to [REDACTED] to [REDACTED] to [REDACTED]. This will fully document the movement of data from [REDACTED] the system of record, through [REDACTED] processing and back to [REDACTED]. The completed data map will provide detailed tracking and migration of data through the processes. In addition, it will capture how the data may be modified, enhanced, or transformed by [REDACTED]. The data maps will be tested on a semi-annual basis to ensure accuracy of data usage and processes.

These procedures and controls will directly address critical ongoing technology processes. Additional controls will be evaluated as the [REDACTED] platform matures and/or as additional functionality is added.

Action Plans

Reference	Assigned To	Action Item / Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)
G-1	[REDACTED]	Inventory technology suppliers and confirm Supply Chain Management Tier assignment.	List of technology suppliers by Tier.	Complete - September 2011
G-2	[REDACTED]	Integrate suppliers into the SCM governance process	Assurance of tier placement either in enterprise program of LOB	Complete – September 2011
G-3	[REDACTED]	Integrate suppliers into the SCM governance process	Assurance of tier placement either in enterprise program or LOB	Complete – September 2011



Reference	Assigned To	Action Item / Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)
G-4		Expand implementation of business requirements development and approval processes to CBO Default organization	Improved on-time delivery and reduced variability in the desired solution / results	March 2012
G-5		Expand implementation of demand management process and management routines into the CBO Default organization	Improved management reporting and routines that provide further transparency on technology resource capacity and utilization in CBO Default	December 2011
G-9.1		Complete EUC control mitigation	Updated EUC inventory	March 2012
G-9.2		Add EUC to control attestation and complete for Servicing and Default	Signed attestations from Servicing and Default	December 2011
G-10.1		Review and identify gaps in user role based security and permissions	██████████ "Not Authorized" report and resolution of issues;	October 2011
G-10.2		Review and identify gaps in monitoring and reconciliation process for loans serviced on ██████████ and ██████████	Reconciliation report of active accounts on ██████████ and active accounts on ██████████ Business process owner assurance of reconciliation	October 2011
G-10.3		Review and identify gaps in ██████████ and ██████████ batch processing	Reports indicating batch processing performance and SLAs	November 2011
G-10.4		Review and identify gaps in data mapping process	Completed data maps Process to ensure review and update of data mapping process Business and EIS process owner assurances	February 2012

7.9 H – Legal Processes and Support

As it relates to the internal control environment:

█ [REDACTED]

Currently, the Mortgage Legal Department has portions of its existing processes documented, including formal controls to achieve the department’s objectives. Steps are currently underway to complete documentation of existing processes as they are reviewed and standardized for both Richmond and Atlanta employees. As each process is reviewed and documented, it will be placed in the developing Departmental Process and Control Manual, a document that organizes the operational requirements for the Legal Department.

The Legal Department’s current objectives are to mitigate risk, minimize loss and provide timely and accurate legal advice to the Company’s Default Servicing Operations Group, including timely reporting of litigation and pre-litigation trends, changes in applicable laws, regulations, investor requirements, supervisory guidance and effective management of outside counsel in defensive litigation.

Currently, the Mortgage Legal Department has developed and documented formal procedures for management of litigation, pre-litigation, subpoenas, foreclosure discovery and regulatory monitoring. Controls are continuing to be documented and inventoried to include legal support for Default vendor management and day-to-day support for Default business units.

█ [REDACTED]

The major workflows in need of process documentation within the Mortgage Legal Department are: (a) litigation, (b) pre-litigation, (c) subpoenas, (d) foreclosure discovery, (e) regulatory monitoring, (f) support for Default vendor management, and (g) day-to-day support of the Default business units. Documentation is currently underway for each of the referenced workflows as previously stated in Section H-1. A guideline defining legal risk and related roles in the risk management process has been drafted and included in the Operational Risk Program.

█ [REDACTED]

Historically, written processes have been updated on an as-needed basis and not according to any scheduled, comprehensive review. Going forward, updates will continue as needed, but with a scheduled review no less frequently than every 12 months, of the entire group of procedures to ensure consistency.

The procedures will contain a designated point person and backup responsible for completing and reporting to the managing attorney that the policies and procedures have been evaluated. Additionally, any changes will be communicated to executive leadership no less frequently than annually, once the baseline is complete.

█ [REDACTED]

Responsibilities for identifying legal risk will be documented in Legal’s roles and responsibilities. The current design is for noted risks to be prioritized utilizing high, medium, and low severities, similar to the evaluation criteria used by Compliance and Risk, reflecting the likelihood of occurrence and the



severity of impact. This work will be evaluated and reported into the existing Consumer Banking ORCC and Mortgage ORC Working Group risk structure as required or through the creation of alternative reporting processes.

As it relates to ongoing monitoring, reporting and communication:

■ [REDACTED]

Enhanced reporting will include volume, business line impacted, and issues for both litigation and non-litigation matters. Reports will be generated by the legal matter management systems for both litigation and pre-litigation. Reports will be generated and distributed quarterly to the impacted business lines, or with greater frequency upon request. Follow-up meetings with LOB managers will be calendared, where appropriate, to discuss any trends or opportunities for process improvement.

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

Note: Responses to topics H-6, H-7, and H-8 have been combined as they encompass the same topic and action by the Legal Department.

The Legal Department currently conducts multiple meetings between the Legal department and the LOB Management and Executives. These meetings will be inventoried and documented as part of ongoing management routines, and any new meetings that are established will be added to this inventory.

These meetings include frequent one-on-one meetings between the Legal's Senior Vice President and STM's most senior executives. Legal currently partners with Compliance and Operational Risk to support the ORCC process - identifying issues and offering legal advice (see Section H-4).

Various members of the Legal Department also have discrete responsibility for LOB and Sub-LOB legal support. These attorneys will establish, or re-establish, monthly or once-every-six-weeks (6X6) meetings with the business manager for each area to discuss legal issues and risks, covering the following areas: Consumer Banking and Mortgage, STM, Origination, Servicing, Default, Foreclosure, Bankruptcy, Loss Mitigation, Collections, Recovery, and Real Estate Owned. In addition, for meetings where the attorneys attend the manager's direct report meetings minutes will be requested as evidential documentation of emerging legal risk meeting topics. Meetings within the Legal Department, such as the ones referenced below in H-12 as well as the once-a-month meeting between the Managing Attorney for Consumer Banking and Mortgage with the General Counsel will also be documented.



As it relates to governance:

[REDACTED]

Note: Responses to topics H-9 and H-10 have been combined as they encompass the same topic and action by the Legal Department.

The escalation path, both through the Legal Department to the General Counsel and through the risk committee structure that ultimately reports to the Risk Committee of the Board, will be documented and added to the legal risk assessment documentation referenced within H-4 above. The existing Consumer Banking ORCC risk committee charters and reporting process to evaluate adequacy to add the reporting of legal risks will also be reviewed.

As it relates to the legal risk assessment process:

[REDACTED]

Responsibilities for the legal risk assessment performed by the Legal Department will be documented in a risk assessment procedures document for Legal. The current design is for noted risks to be prioritized utilizing a high, medium, and low severities, similar to the evaluation criteria used by Compliance and Risk, reflecting the likelihood of occurrence and the severity of impact. This work will be evaluated and reported into the existing Consumer Banking ORCC and Mortgage ORC Working Group risk structure as required or through the creation of alternative reporting processes.

As it relates to Mortgage Legal Department staffing:

[REDACTED]

Staffing will be assessed through analysis of workloads, projected workloads and capacity. Reports for the Legal Department include opened/closed and matters managed at one time by an attorney for both litigation and pre-litigation. Currently, the Managing Attorney for Consumer Banking and Mortgage meets once every two weeks with his direct reports. These discussions focus upon current workloads, new matters, approaches to completing work, and meeting deadlines. More formally, once a year there is planning for the next year to assess our resources and the forecasted workloads. This process occurs each September. Since the beginning of 2010, the headcount of attorney and paralegal resources has increased from 7 to 18 and staffing levels continue to be evaluated.

[REDACTED]

Currently there are no contract attorneys working on litigation or pre-litigation in the SunTrust Mortgage Legal Department supporting Default. Use of contract attorneys going forward is anticipated to be limited to specific assignments or projects such as document review for discovery or similar work and not substantive litigation management. These engagements would be specific and of limited duration.



As it relates to legal risk management tools:

[REDACTED]

Today, a document sharing system currently resides on a shared server in Atlanta. Work is currently underway to review and update the access rights for attorneys outside of the Default Legal Group. The types of documents stored on this server include relevant pleadings for litigation or letters and responses for pre-litigation matters. Settlement agreements are also stored in this system, with a copy associated with the loan file, if applicable, in the [REDACTED] system.

[REDACTED]

We are currently working to move the litigation and pre-litigation databases to a SQL Server (E-Counsel), which will enhance the user interface and reporting capabilities. The Legal Department will further utilize more fully the capabilities of the E-Counsel system as upgrades will help track and manage legal expenses.

[REDACTED]

Information Technology (“IT”) Resources have been identified and are working with the Legal Department in order to migrate the Access Databases to a SQL server environment and establish Online File Transfer (“OFT”) mailboxes with outside counsel to enhance secure and efficient transfer of information in litigation.

As it relates to the third-party service provider management and monitoring:

[REDACTED]

Note: Responses to topics H-17 and H-18 have been combined as they encompass the same topic and action by the Legal Department.

Creation of the comprehensive list of legal suppliers is currently underway. Our enhanced outside counsel management process will include 360 degree feedback for both law firms and managing attorneys supporting the assessment of the quality of performance, using objective and subjective metrics. These metrics are anticipated to include cost per case, creativeness, responsiveness and result. The comprehensive list is being established based on experience with firms to date and responses to Requests for Proposal confirming cost and staffing among other things. Convergence efforts among several departments are ongoing in order to narrow the number of firms on the list.

This specifically covers external legal partners covering litigation responsibilities, versus the legal providers servicing Bankruptcy and Foreclosure business activities covered under the CB SMP.



The Guide has been updated and distributed to all external counsel handling matters currently. We are tracking responses of affirmations on an ongoing basis. Evaluation of counsel will be a part of the enhanced management described in H-18.

Action Plans

Reference	Assigned To	Action Item / Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)
H-1.1		Inventory legal department processes and controls and evaluate where additional or enhanced processes / controls are required. Update documentation where required.	Process maps with documented control points.	November 2011
H-1.2		Develop and implement new / enhanced controls.	Documented evidence of controls in place.	November 2011
H-2.1		Inventory legal department processes and controls and evaluate where additional policies and procedures are required.	Existing Mortgage Legal Department's process related policies and procedures.	November 2011
H-2.2		Document existing Mortgage Legal Department processes through policies and procedures.	Documented evidence of process related policies and procedures that are in place.	November 2011
H-3.1		Identify owners for policies and procedures to update the policies and procedures at least annually.	Documented ownership in the Process and Control Manual	November 2011
H-3.2		Establish a governance routine that engages owners of policies and procedures for review and approval.	Documented policies and procedures.	November 2011
H-4.1		Document the legal risk assessment process and dimensions that will be evaluated.	Current documentation supporting the current risk assessment process.	December 2011
H-4.2		Establish a regular reporting routine with business, compliance, and risk leaders to discuss results	Documented meeting agendas and meeting minutes	December 2011
H-5.1		Develop quarterly reports for non-litigation and pre-litigation matters.	Current reports for non-litigation and pre-litigation matters.	November 2011
H-5.2		Present the quarterly reports to impacted parties.	Current reporting process for non-litigation and pre-litigation matters.	November 2011
H-6, H-7, H-8		Document current meeting routines through a meeting organizational structure.	Current meeting routines documentation.	December 2011



Reference	Assigned To	Action Item / Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)
H-6, H-7, H-8		Establish new governance and management routines with business leaders.	Full coverage of business, risk, and compliance awareness of legal risks and issues	December 2011
H-9, H-10		Document the appropriate escalation path, relevant meeting routines and stakeholders who are engaged when raising legal risks.	Documentation of the current escalation path and risk committees.	December 2011
H-12		Document procedures for reviewing staffing levels on a periodic basis, leveraging capacity management reports and work load assignments	Existing documentation explaining the staffing process.	December 2011
H-13		Review the contract attorneys who are currently engaged to assess whether full time attorney positions are more appropriate.	There are no contract attorneys in the group effective 9/9/11.	Complete – September 2011
H-14.1		Establish centralized repository of legal documentation and files supporting legal proceedings, cases and evidence requirements	A document storage solution with shared access through the legal department	December 2011
H-14.2		Establish appropriate access controls and business continuity protocols, ensuring data integrity	Appropriate access controls based on level and responsibilities within the legal department	December 2011
H-15		Transition the [REDACTED] database to an SQL environment.	Migration to the SQL server and appropriate access for lawyers and paralegal resources. Completion will be documented by identification of the location of the SQL server	December 2011
H-17, H-18		Develop, document, and maintain a comprehensive inventory of outside counsel and 3rd party legal support	Documentation listing relationships with outside counsel	December 2011
H-17, H-18		Develop performance metrics and document a feedback process regarding outside counsel performance	A documented performance feedback process for outside counsel.	December 2011
H-19.1		Receive signed copies of the guide for outside counsel from legal firms	Signed copies of the “Guide for Outside Counsel” from all outside counsel and file on shared server.	December 2011
H-19.2		Update The Guide for Outside Counsel with enhanced procedures and performance requirements	Updated version of the guide	Complete – August 2011



Reference	Assigned To	Action Item / Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)
H-19.3		Distribute The Guide for Outside Counsel to all contract lawyers and law firms doing business on behalf of SunTrust	Validation of distribution to all law firms currently contracted by SunTrust	Complete – September 2011
H-19.4		Establish routines that monitor performance against the guide's requirements, and ensure that new relationships receive the guide. Additionally, establish an annual routine to update the guide or certify its completeness	Monitoring results on external counsel performance, signed copies by all external counsel, and annual certification of documentation	December 2011

7.10 I – Supplemental and Self Identified Action Items

■ [REDACTED]

As stated in the introduction of this response, as a by-product of the procedure and control development work, we have self-identified potential gaps that detail potential process improvement opportunities in areas such as, policies, procedures, controls, and KRIs / KPIs as well as other reporting considerations. Gaps that appear substantive in nature have been identified for management review and we will develop an appropriate response and action plan to mitigate the gaps.

To mitigate these items, we have categorically aligned each gap to the appropriate business manager for further evaluation and prioritization. Managers will be asked to evaluate the gaps and determine if existing actions are already in place by December 2011, while delivering the overall action plan to close the gaps by March 2012.

■ [REDACTED]

Addressed in Consent Order Risk Assessment Response Section C-3 including action plan.

■ [REDACTED]

Addressed in the response and action plan to Article 16-J of the Consent Order.

■ [REDACTED]

Addressed in Consent Order Risk Assessment Responses Sections A-12; B-8; D-2; E-2; and F-2 including action plans.

■ [REDACTED]

Education of the definitions of risk and controls and why they are important is an important foundation in maintaining an effective control environment. Risk management developed a Risk and Control Awareness training program to build an understanding of risk and controls, as well as to reinforce roles and responsibilities. A Risk and Control Awareness training program is under development and will be rolled out with the support of STU. This will be a computer-based training program targeted to line managers. The goal is to establish a better understanding of risks, controls and line management responsibilities. Specific sections of the course will include the benefits of risk management, risk definitions, line versus ORM responsibilities, the risk management framework, the RCSA process and types of controls. Training will be completed by year-end 2011.

Addressed in Consent Order Compliance Program Article 9-B responses and action plan.



[REDACTED]

In order to reinforce an understanding of risk and controls, as well as the roles for the business line managers, Risk Management has developed a course that will reinforce roles and build understanding of risk and controls. This is part of a cultural shift to reinforce business ownership and accountability and rely less on the business risk management group. A Risk and Control Awareness training program is under development and will be rolled out with the support of STU. This will be a computer-based training program targeted to line managers. The goal is to establish a better understanding of risks, controls and line management responsibilities. Specific sections of the course will include the benefits of risk management, risk definitions; line versus ORM responsibilities, the risk management framework, the RCSA process and types of controls. Training will be completed by year-end 2011.

Addressed in Consent Order Compliance Program Article 9-B responses and action plan.

[REDACTED]

Specific recommendation addressed in Consent Order Risk Assessment Response Sections H-14 and H-15 including the action plan.

[REDACTED]

The Default organization is in the midst of technological and organizational changes to address the way it handles borrowers who are behind in their mortgage payments. The first organizational move occurred on August 8, 2011 with the alignment of Default into Consumer Banking Operations. This move will enable Default to benefit from the resources, structure, and leadership that are applied to all consumer banking operational groups. Additionally, a Mortgage Banking Operations Executive with deep default operating knowledge has joined the firm, and is actively involved in leading key aspects of the change – organizational design, technological deployment, and regulatory order compliance.

The organizational design initiative has commenced and is expected to be complete by mid-November. Certain organizational changes have already occurred to address the new operating model, and as other recommendations are identified they will be implemented in accordance with the organizational design recommendations.

Plans are currently being executed for the deployment of additional technology solutions to address the single point of contact operating model, the new requirements from the GSEs, and the conversion of the remaining servicing portfolio (FHA/VA) onto the common platform as addressed in Section C-4. All three components are expected to be complete by the end of the 2011. Documentation of these procedures is taking place concurrently.

These cumulative changes will be accompanied by a formal change management program in Default to ensure all employees have visibility into why the changes are occurring, how the changes will benefit clients and shareholders, and their role in achieving success. It will also include additional



leadership and technical training for the Default team; however the first priority is to improve controls in each functional area, and improve the communication between them.

Action Plans

Reference	Assigned To	Action Item / Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)
I-1.1		Complete assessment and determine applicability of identified substantive gaps	Consolidated list of gaps to develop actions plans to remediate/resolve	December 2011
I-1.2		Receive responses from business unit management with action plans to gaps and opportunities identified through the procedure and control development process	Consolidated Action Plan for resolving gaps and action items	March 2012
I-8.1		Default Organizational Design Assessment	Organizational recommendations; Organizational charts; Work papers	November 2011
I-8.2		Default Change Management Program	Weekly Communication to all Default Teammates; Townhalls (on-site and virtual); Re-branding of Default Evolution	December 2011

7.11 Consolidated Action Plan

The following action plan addresses identified areas for enhancement and is designed to ensure a comprehensive Compliance Program is established for Mortgage Servicing, Loss Mitigation and Foreclosure.

Reference	Assigned To	Action Item / Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)
A-2		Develop Risk and Controls Awareness training program.	Rollout training program	December 2011
A-3		Develop quantitative performance thresholds to map to the Green / Yellow / Red status in management reports. Identify the triggers at which performance deficiencies will be escalated to executive management.	Documented quantitative thresholds to measure performance. Documented triggers for executive management reporting. Updated reports with appendices showing the definitions. For Green / Yellow / Red status.	January 2012
A-8.1		Pilot integrated risk scorecard	Include in ORCC report	October 2011
A-8.2		Incorporate integrated risk scorecard into regular quarterly reports	Include in ORCC report	January 2012
A-9.1		Deliver Version 1.0 of Executive Dashboard for Mortgage LOB	Version 1.0 of Executive KPI/KRI Dashboard	Complete – July 2011
A-9.2		Integrate additional default metrics as applicable from referenced Action plan D-3.2	Executive KPI/KRI Dashboard containing new Default metrics resulting from D-3 action plan and results	November 2011
A-9.3		Review Investor KPI default metrics from Action plan D-4.3 and integrate into Executive Dashboard as appropriate	Executive KPI/KRI Dashboard containing new Default metrics (Investor) resulting from D-4 action plan and results	December 2011
A-10		Integrated issue and mitigation plan reporting across audit and risk for management review	Issue and mitigation plan summary included in January Meeting ORC Working Group and ORCC report.	January 2012
A-11.1		Develop definitions and guidance for the creation of QA and QC testing. Guidance will include definitions around types of testing, roles and responsibilities for testing among the lines of defense, and guidance on escalation of issues up through business management and risk.	A Testing Program document addressing definitions and roles and responsibilities.	November 2011



Reference	Assigned To	Action Item / Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)
A-11.2		Evaluation of Servicing, Foreclosure, and Loss Mitigation QC, QA, and testing programs for appropriateness and design.	Documented evaluation of Servicing, Foreclosure, and Loss Mitigation QC, QA, and testing programs for appropriateness and design.	December 2011
A-11.3		Evaluate feasibility of consolidating compliance monitoring and testing results for reporting purposes so that common themes can be identified, root cause analysis performed, and remediation actions taken.	Documented analysis of the feasibility of consolidating testing activities, including recommendations for the format and content of information to be consolidated.	March 2012
A-12 B-8 D-2 F-2		Document all process and procedures with appropriate level of detail. Document all current KPIs, KRI, and controls.	Final process, procedures, and control matrix documents.	December 2011
A-13.1		Scope and prioritize training requirements on state laws and regulations Scoping and assessment of existing state training needs	State training inventory received from Legal	December 2011
A-13.2		Prioritization of existing training needs on state laws and regulations	Completed Prioritization list	January 2012
A-13.3		Incorporation of state regulatory training into existing state regulatory change process	Update state regulatory change workflow document	January 2012
A-13.4		Develop, document and deliver state regulation training program	Delivery mechanism process is documented and communicated	March 2012
B-1		Inventory and assess risk of third party service providers for Core Servicing	List of third party service providers by Risk Class.	January 2012
B-3		Evaluate need for a benchmarking study regarding lender placed insurance premiums.	Artifact documenting management's decision regarding a benchmarking study on lender placed insurance premiums.	December 2011
B-5.1		Develop and implement formal STU new-hire training program (including procedures to escalate client complaints)	Ongoing monthly new hire program listed as part of STU curricula	December 2011
B-5.2		Document new hire On-the-Job-Training graduation criteria	Documentation of proficiency levels and methods for measurement/recording	December 2011



Reference	Assigned To	Action Item / Milestone	Evidence of Deficiency Satisfaction	Completion Date (Month)
B-5.3		With HR, determine feasibility of a written assessment requirement to test knowledge of departmental policies and procedures for new hires	Documentation of discussion with HR; final decision	October 2011
B-9.1		Enhance manual controls for monetary transaction requests, including check requests, to include implementation of authorization limits and a QC validation program.	Documentation of new controls, and inclusion of such controls in annual control testing criteria	October 2011
B-9.2		Submit Business Opportunity Request to automate the manual check request process including the development of a more robust system with expanded capabilities and greater user capacity with SQL technology	Completed Business Opportunity Request	December 2011
B-10.1		Develop a QA/QC plan for Servicing based on Testing Guidance from Corporate Operational Risk.	Action Plan to develop QA/QC in Servicing.	February 2012
B-10.2		Implement Process Quality programs for Mortgage –goal of 4 by year-end	Mortgage Process Quality Reporting	December 2011
B-11.1		Define proficiency levels for each department, tied to throughput rates and quality scores.	Documented proficiency levels mapped to throughput rates and quality scores.	December 2011
B-11.2		Review scorecard metrics and where appropriate, add accuracy metrics	Additional metrics added to scorecard	December 2011
B-11.3		Include performance metrics on each employee's InBalance goals and performance evaluations (measured against new proficiency levels)	Updated InBalance forms	December 2011
C-1.1		Ensure four critical Collections Department suppliers [REDACTED] are monitored and managed according to the SCM Playbook.	Assignment of Collections Department critical suppliers [REDACTED] to [REDACTED] to SCM's <i>Critical</i> or <i>Collaborative</i> lists. Assignment of [REDACTED] to <i>Risk Class 1</i> under CB Supplier Management Program.	December 2011



C-1.2		Inventory and risk assess all Collections Department suppliers to identify any additional "critical" suppliers.	Assignment of additional Collections Department critical suppliers to SCM's <i>Critical or Collaborative</i> lists or to <i>Risk Class 1</i> under CB Supplier Management Program.	March 2012
C-3		Implement enhanced communication capabilities within the Default Group including a weekly newsletter, staff agendas, and material email alerts Development of weekly newsletter	Newsletter developed and in distribution	December 2011
C-4.1 F-14.1		Installation of [REDACTED] software supporting Consent Order Single Point of Contact, Servicer Alignment initiative and Government/Private Investor loans.	Report showing newly delinquent Government/Private Investor loans are being serviced on [REDACTED]	November 2011
C-4.2 F-14.2		Conversion of Government/Private Investor loans onto [REDACTED] platform.	Report showing delinquent Government/Private Investor loans have been converted to [REDACTED] platform.	December 2011
D-3.1		Develop and Implement Monthly Operational Metric Reporting routine	Monthly Operational Metric report for Default Manager	November 2011
D-3.2		Develop reports for identified metrics in procedures	Establish metrics and reporting on metrics	March 2012
D-4.1		Phase 1 - Implement an electronic application housing investor guidelines and updates.	Implementation of application	December 2011
D-4.2		Complete Phase 2 of implementation, testing the application's functionality and making needed modifications.	Application testing and modification	March 2012
D-4.3		Develop key performance indicators based on investor guidelines.	Monthly management reporting	December 2011
D-5		Develop centralized QC team	Monthly reports detailing findings, remediation, owner, due dates	Complete – September 2011 (Ongoing)



D-6.1		Implement a time and motion study for the Loss Mitigation Operations Group	Output of time and motion study finalized	December 2011
D-6.2		Define productivity benchmarks and design appropriate staffing model.	Productivity Benchmarks and staffing model approved	December 2011
D-7.1		Add to staff to meet volume demands for Loss Mitigation operations based on relevant staffing model	Appropriate staff per the model; may include active job postings to meet the target state	December 2011
D-7.2		Add staff to address Home Preservation Client Representative need	Using phased approach to add Home Preservation Client Representatives	May 2012
D-8 E-12 F-13		Implement/deliver and further evaluate training to Loss Mitigation regarding department procedures	Instructor Lead Classes: publish the training schedule for these classes in STU's Learning Portal Online courses: the courses are accessible through STU's Learning Portal Completion reports from STU's Learning Portal of both instructor lead and on-line courses. Update training content to include changes	January 2012
D-9.1		Authorization and approval for development of QA staff in Loss Mitigation	QA organization will be divided into two teams, 1 team for decisions and 1 team for quality	November 2011
D-9.2		Develop QA program which includes process, procedures and reporting in Loss Mitigation	Output of process map, procedures and reporting structure and distribution	February 2012
D-9.3		Implementation of the QA program in Loss Mitigation	An established Loss Mitigation QA team	March 2012
E-2		Document all process and procedures with appropriate level of detail. Document all current KPIs, KRIs, and controls.	Final process, procedures, and control matrix documents.	Complete – September 2011
E-3		Develop centralized QC team	Monthly reports detailing findings, remediation plan with owner, and due dates	Complete (Ongoing)
E-4.1		Authorization and approval for development of QA staff in Bankruptcy	QA organization will be divided into two teams, 1 team for decisions and 1 team for quality	November 2011
E-4.2		Develop QA program which includes process, procedures and reporting in Bankruptcy	Output of process map, procedures and reporting structure and distribution	February 2012

E-4.3		Implementation of the QA program in Bankruptcy	Established Bankruptcy QA team	March 2012
E-5		Development of detailed trend analysis reporting for Bankruptcy QC to assist management in developing action plans to remediate ongoing issues.	Detailed trend analysis reporting to assist management in developing action plans to remediate ongoing issues.	February 2012
E-7		Inventory and risk assess third party suppliers including bankruptcy attorneys and non-attorney suppliers	Inventory of bankruptcy attorneys by Risk Class.	December 2011
E-8.1		Phase 1 - Establish performance metrics/SLAs for bankruptcy attorneys, based on risk classification.	Performance metrics/SLAs for bankruptcy attorneys, based on risk classification.	December 2011
E-8.2		Phase 2 - Establish performance metrics/SLAs for bankruptcy suppliers excluding attorneys, based on risk classification.	Performance metrics/SLAs for bankruptcy suppliers other than attorneys, based on preliminary risk classification.	March 2012
E-10.1		Implement a time and motion study for Bankruptcy	Output of time and motion study finalized	December 2011
E-10.2		Define productivity benchmarks and staffing model design for Bankruptcy	Productivity Benchmarks and staffing model approved	December 2011
E-11		Add to staff to meet volume demands for Bankruptcy operations based on relevant staffing model	Appropriate staff per the model; may include active job postings to meet the target state	December 2011
F-3.1		Develop centralized QC team for Foreclosure	Monthly reports detailing findings, remediation plan with owner, and due dates	Complete - (Ongoing)
F-4.1		Authorization and approval for development of QA staff in Foreclosure	QA organization will be divided into two teams, 1 team for decisions and 1 team for quality	November 2011
F-4.2		Develop QA program which includes process, procedures and reporting in Foreclosure	Output of process map, procedures and reporting structure and distribution	February 2012
F-4.3		Implementation of the QA program in Foreclosure	Established Foreclosure QA team	March 2012
F-5		Development of detailed trend analysis reporting of QC results to assist management in developing action plans to remediate ongoing issues.	Detailed trend analysis reporting to assist management in developing action plans to remediate ongoing issues.	February 2012

F-6.1		Notify foreclosure attorneys that revalidation of borrower's military status is required as close to the foreclosure sale as practicable	Attorney notification documented	Complete – September 2011
F-6.2		Update appropriate foreclosure procedures requirement	Updated procedures	Complete – September 2011
F-6.3		Implement internal control to ensure foreclosure attorneys are revalidating borrower's military service status required as close to the foreclosure sale as practicable	Control Documentation	Complete – October 2011
F-8		Inventory and risk assess foreclosure attorneys and other non-attorney foreclosure suppliers	Inventory of foreclosure attorneys by Risk Class.	December 2011
F-9.1		Phase 1 - Establish performance metrics/SLAs for foreclosure attorneys, based on risk classification	Performance metrics/SLAs for foreclosure attorneys, based on risk classification.	December 2011
F-9.2		Phase 2 - Establish performance metrics/SLAs for foreclosure suppliers other than attorneys, based on risk classification	Performance metrics/SLAs for foreclosure suppliers other than attorneys, based on risk classification.	December 2011
F-11		Complete time and motion study and staffing model for Foreclosure	Output of staffing requirement from model	December 2011
F-12		Add to staff to meet volume demands for Foreclosure operations based on relevant staffing model	Appropriate staff per the model; may include active job postings to meet the target state	May 2012
G-1		Inventory technology suppliers and confirm Supply Chain Management Tier assignment.	List of technology suppliers by Tier.	Complete - September 2011
G-2		Integrate suppliers into the SCM governance process	Assurance of tier placement either in enterprise program of LOB	Complete – September 2011
G-3		Integrate suppliers into the SCM governance process	Assurance of tier placement either in enterprise program or LOB	Complete – September 2011
G-4		Expand implementation of business requirements development and approval processes to CBO Default organization	Improved on-time delivery and reduced variability in the desired solution / results	March 2012

G-5		Expand implementation of demand management process and management routines into the CBO Default organization	Improved management reporting and routines that provide further transparency on technology resource capacity and utilization in CBO Default	December 2011
G-9.1		Complete EUC control mitigation	Updated EUC inventory	March 2012
G-9.2		Add EUC to control attestation and complete for Servicing and Default	Signed attestations from Servicing and Default	December 2011
G-10.1		Review and identify gaps in user role based security and permissions	██████████ "Not Authorized" report and resolution of issues;	October 2011
G-10.2		Review and identify gaps in monitoring and reconciliation process for loans serviced on ██████████ and ██████████	Reconciliation report of active accounts on ██████████ and active accounts on ██████████ Business process owner assurance of reconciliation	October 2011
G-10.3		Review and identify gaps in ██████████ ██████████ and ██████████ batch processing	Reports indicating batch processing performance and SLAs	November 2011
G-10.4		Review and identify gaps in data mapping process	Completed data maps Process to ensure review and update of data mapping process Business and EIS process owner assurances	February 2012
H-1.1		Inventory legal department processes and controls and evaluate where additional or enhanced processes / controls are required. Update documentation where required.	Process maps with documented control points.	November 2011
H-1.2		Develop and implement new / enhanced controls.	Documented evidence of controls in place.	November 2011
H-2.1		Inventory legal department processes and controls and evaluate where additional policies and procedures are required.	Existing Mortgage Legal Department's process related policies and procedures.	November 2011
H-2.2		Document existing Mortgage Legal Department processes through policies and procedures.	Documented evidence of process related policies and procedures that are in place.	November 2011
H-3.1		Identify owners for policies and procedures to update the policies and procedures at least annually.	Documented ownership in the Process and Control Manual	November 2011
H-3.2		Establish a governance routine that engages owners of policies and procedures for review and approval.	Documented policies and procedures.	November 2011

H-4.1		Document the legal risk assessment process and dimensions that will be evaluated.	Current documentation supporting the current risk assessment process.	December 2011
H-4.2		Establish a regular reporting routine with business, compliance, and risk leaders to discuss results	Documented meeting agendas and meeting minutes	December 2011
H.5.1		Develop quarterly reports for non-litigation and pre-litigation matters.	Current reports for non-litigation and pre-litigation matters.	November 2011
H-5.2		Present the quarterly reports to impacted parties.	Current reporting process for non-litigation and pre-litigation matters.	November 2011
H-6, H-7, H-8		Document current meeting routines through a meeting organizational structure.	Current meeting routines documentation.	December 2011
H-6, H-7, H-8		Establish new governance and management routines with business leaders.	Full coverage of business, risk, and compliance awareness of legal risks and issues	December 2011
H-9, H-10		Document the appropriate escalation path, relevant meeting routines and stakeholders who are engaged when raising legal risks.	Documentation of the current escalation path and risk committees.	December 2011
H-12		Document procedures for reviewing staffing levels on a periodic basis, leveraging capacity management reports and work load assignments	Existing documentation explaining the staffing process.	December 2011
H-13		Review the contract attorneys who are currently engaged to assess whether full time attorney positions are more appropriate.	There are no contract attorneys in the group effective 9/9/11.	Complete – September 2011
H-14.1		Establish centralized repository of legal documentation and files supporting legal proceedings, cases and evidence requirements	A document storage solution with shared access through the legal department	December 2011
H-14.2		Establish appropriate access controls and business continuity protocols, ensuring data integrity	Appropriate access controls based on level and responsibilities within the legal department	December 2011
H-15		Transition the [REDACTED] database to an [REDACTED] environment.	Migration to the [REDACTED] and appropriate access for lawyers and paralegal resources. Completion will be documented by identification of the location of the [REDACTED]	December 2011



H-17, H-18		Develop, document, and maintain a comprehensive inventory of outside counsel and 3rd party legal support	Documentation listing relationships with outside counsel	December 2011
H-17, H-18		Develop performance metrics and document a feedback process regarding outside counsel performance	A documented performance feedback process for outside counsel.	December 2011
H-19.1		Receive signed copies of the guide for outside counsel from legal firms	Signed copies of the "Guide for Outside Counsel" from all outside counsel and file on shared server.	December 2011
H-19.2		Update The Guide for Outside Counsel with enhanced procedures and performance requirements	Updated version of the guide	Complete – August 2011
H-19.3		Distribute The Guide for Outside Counsel to all contract lawyers and law firms doing business on behalf of SunTrust	Validation of distribution to all law firms currently contracted by SunTrust	Complete – September 2011
H-19.4		Establish routines that monitor performance against the guide's requirements, and ensure that new relationships receive the guide. Additionally, establish an annual routine to update the guide or certify its completeness	Monitoring results on external counsel performance, signed copies by all external counsel, and annual certification of documentation	December 2011
I-1.1		Complete assessment and determine applicability of identified substantive gaps	Consolidated list of gaps to develop actions plans to remediate/resolve	December 2011
I-1.2		Receive responses from business unit management with action plans to gaps and opportunities identified through the procedure and control development process	Consolidated Action Plan for resolving gaps and action items	March 2012
I-8.1		Default Organizational Design Assessment	Organizational recommendations; Organizational charts; Work papers	November 2011
I-8.2		Default Change Management Program	Weekly Communication to all Default Teammates; Townhalls (on-site and virtual); Re-branding of Default Evolution	December 2011

7.12 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 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 Risk Assessment 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.



7.13 Risk Assessment Appendix A - Glossary

Acronym	Definition
A.D.D.I.E	Assessment, Design and Develop, Implement, Evaluate
ALCO	Asset Liability Committee
AOI	Affidavits of Indebtedness
BCA	Business Control Assessment
BOD	STI Board of Directors
BRC	Risk Committee of the Board of Directors
CB	Consumer Bank
CBO	Consumer Banking Operations Group
CBSMP	Consumer Banking Supplier Management Program
CCO	Client Centric Originations
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHRO	Chief Human Resources Officer
CRC	Corporate Risk Committee
CRO	Chief Risk Officer
ETRM	Enterprise Technology Risk Management
EUC	End User Computing
FIP	Functional Incentive Plan
FRB	Federal Reserve Bank
FTE	Full Time Equivalent
ILT	Instructor Led Training
KPI	Key Performance Indicator
KRI	Key Risk Indicator
LOB	Line of Business
LPS	Loan Processing Services is vendor of MSP
OFT	Online File Transfer
OJT	On-the-Job Training
ORCC	Operational Risk and Compliance Committee
ORM	Operational Risk Management
PWC	PriceWaterhouseCoopers
QA	Quality Assurance
QC	Quality Control
RAPP	Risk Adjusted Pay for Performance
RCSA	Risk and Control Self Assessment
SAI	Servicer Alignment Initiative
SAS	SunTrust Audit Services
SCM	Supply Chain Management
SLA	Service Level Agreement
SME	Subject Matter Expert
SPC	Single Point of Contact
SRM	Supplier Relationship Management
STM	SunTrust Mortgage
STU	SunTrust University
TQA	Technical Design and Quality Assurance
WBT	Web Based Training



7.14 Risk Assessment Appendix B – Servicing Operations Reports

Report Name	Focus	Description	Functional Area Included?				Distributed To:	Frequency
			Loan Admin	Financial Controls	Custodian	Client Services		
Vitals Report	- Timeliness - Quality / Accuracy	Includes production volumes and key performance indicators, such as service levels metrics (examples: ASA; abandon rates, lien releases and payments processed within SLAs) and accuracy rates (examples: FHLMC monthly accuracy rating, RFC quarterly tier rating). Status indicators (green, yellow and red) are used to identify whether goals are being met. Explanations are provided for any metrics in red status. <i>Includes a qualitative section for managers to communicate emerging risks.</i>	X	X	X	X	- Functional Managers - Core Servicing Dept Manager - Consumer Banking Ops EVP - Operational Risk Manager - Finance	Weekly
Mortgage Scorecard	- Timeliness - Quality / Accuracy	Includes multiple metrics for each Servicing department; including: summary of KPI goals; direct cost per loan; loans per FTE; key workload measures/FTE; key performance measures (timeliness and compliance metrics); quality control audit results; and open/closed tasks (within goal and past due). Finance provides the cost data for the report. Performance indicators (green, yellow and red) are used to highlight whether goals are met. Explanations are provided for any metrics in red status. Includes summary page from Loan Administration Audit Report (see below).	X	X	X	X	- Functional Managers - Core Servicing Dept Manager - Key statistics published in monthly Operational Excellence Report distributed to CB Ops Management.	Monthly
Service Quality Report	- Quality	Produced by Mortgage Marketing department. Includes Call volume, J D Power survey score, Gallop score, average call handling time, and abandon rate				X	- Client Services Manager - Consumer Banking Ops EVP - National Sales Managers - Operational Risk - HR - President / CEO	Monthly
Loan Administration Audit Report	- Timeliness - Quality / Accuracy	Produced by Mortgage Chief Credit Office (Service Quality Operations Division). Includes several questions for each department to evaluate accuracy and timeliness. Each loan in the audit sample population must be rated 100% on both accuracy and timeliness questions to be reported as successfully completed with no errors. Samples are selected using statistical software. Managers must provide written explanations for any unsatisfactory findings.	X				- Functional Managers - Core Servicing Dept Manager	Monthly (report is always distributed monthly, although some functions are only tested quarterly)
Productivity Reports	- Productivity	Produced by Performance Management, an independent department outside of Core Servicing. Productivity results measure the department actual time to perform the department tasks compared to the standard "should take" time to complete the work. Managers monitor the performance results and use them as one indicator for staffing needs. When process changes occur, Performance Management updates the work standards to reflect the new procedures.	X	X	X		- Line Managers - Functional Managers - Core Servicing Dept Manager	Monthly
Snapshot Email & 30/60/90 Day View	- Emerging Risks	A weekly Core Servicing snapshot email is sent to the Consumer Banking Ops EVP. It highlights select accomplishments as well as current issues and emerging risks. A more comprehensive 30-60-90 day report is prepared monthly detailing upcoming milestones and action items, as well as top issues and risks.	X	X	X	X	- Functional Managers - Core Servicing Dept Manager - Consumer Banking Ops EVP	Snapshot - Weekly 30/60/90 - Monthly
Operational Risk Report	- Emerging Risks	Operational Risk Management, a department independent from Core Servicing, holds a monthly Operational Risk and Compliance Committee meeting attended by senior managers to review current and emerging risks. Risk owners are required to provide an action plan and give periodic updates until the risk has been mitigated.	X	X	X	X	- Senior Mortgage Management Committee (including Risk, Compliance, Finance, Sales, Operations, and President/CEO)	Monthly

7.15 Risk Assessment Appendix C – Consumer Banking Supplier Management Program Policy

1. Scope

It is the objective of the Consumer Banking LOB to manage third party providers (“suppliers” or “vendors”) with the rigor and discipline appropriate to the nature and risk of functions outsourced to each supplier. This Consumer Banking policy (hereinafter referred to as the “CB Supplier Management Program” or “Program” document) establishes the requirements, processes, expectations, and authorities for engaging, managing and terminating supplier relationships controlled by the Consumer Banking LOB. The CB Supplier Management Program as defined herein is applicable to the following business units:

- Loss Mitigation
- Foreclosure
- Bankruptcy (limited to attorneys)
- Loan Servicing (including the Mortgage Electronic Registration System, i.e., “MERS”)

The Program is intended to integrate with relevant enterprise governance policies and procedures referenced herein, including those issued by SunTrust Supply Chain Management (“SCM”), Enterprise Technology Risk Management (“ETRM”), SunTrust Legal, Corporate Risk Management, and other corporate functions, and is subordinate to any enterprise policy and procedure where there may be a conflict.

Within the context of this program document, the terms *supplier*, *vendor* and *third party provider* refer to any independent contractor, consulting firm, property manager, local counsel in foreclosure or bankruptcy proceedings, or other third party engaged by SunTrust for the outsourcing of any residential mortgage loss mitigation, foreclosure or loan servicing functions. Compliance with this program also applies to any subsidiary or affiliate of SunTrust that provides a service or function in support of the Loss Mitigation, Foreclosure or Loan Servicing business units.

2. Roles and Responsibilities

Consumer Banking Chief Risk Officer (CBCRO)

Responsible for administering independent risk management processes, supervising credit and operational risk processes, and maintaining and managing risk monitoring systems.

Consumer Banking Risk Administration Executive

Responsible for establishing supplier management requirements for Consumer Banking and for implementing appropriate accountabilities, authorities, controls, systems, processes, procedures and reporting to assure the effectiveness of the CB Supplier Management Program.

Consumer Banking Program Risk Officer

Responsible for day-to-day management and oversight of the CB Supplier Management Program, including developing and documenting supplier management responsibilities, procedures, control structures, process flows, reporting requirements, tracking systems, communications, and training. Also responsible for reviewing and validating supplier risk class assignments, and for reconciling misalignments to SCM and/or ETRM policies, standards and requirements.

Department Head



Responsible for developing supplier management staffing model, establishing budget, recruiting teammates, assigning supplier management responsibilities, establishing performance standards, and holding teammates accountable for meeting expectations.

Department Supplier Manager Lead

Responsible for coordinating the supplier management program within a Consumer Banking department, including assigning supplier manager responsibilities to appropriate teammates, and engaging Supply Chain Management, Enterprise Technology Risk Management, and SunTrust Legal as appropriate. Also responsible for documenting operating procedures, establishing controls and checkpoints to assure program requirements are met, overseeing supplier due diligence work, monitoring supplier performance against contractual terms and/or service level agreements (“SLAs”), and assisting with supplier engagement and termination actions.

Supplier Manager

Responsible for serving as the relationship manager with specific suppliers and for coordinating with the CB Department Supplier Manager Lead the adherence to specific SCM programs designed to manage and measure performance of specific suppliers. The supplier manager performs required pre-engagement due diligence, monitors supplier performance, and manages the relationship for one or more suppliers to which Foreclosure, Loss Mitigation, Bankruptcy or Loan Servicing functions are outsourced.

Supply Chain Management (“SCM”)

Functional organization that comprises the sourcing, fulfillment, operations, supplier relationship management and global outsourcing divisions reporting to the SunTrust Chief Procurement Officer. Responsible for providing structure and support to the multiple programs and initiatives that comprise the overall procurement and supply base management programs, all for the purpose of delivering a sustainable, competitive value to SunTrust through the appropriate sourcing of goods and and/or services used in the company’s operations. Manages or co-manages selected third party providers that are classified as “critical” or “collaborative” based on SCM supplier models.

Enterprise Technology Risk Management (“ETRM”)

Corporate governing authority for the Information Security, Business Continuity, Records and Information Management, Physical Security, Fraud Prevention, and Digital Channel Compliance programs. Aspects of these programs control relevant supplier relationships and outsourced processes detailed herein.

SunTrust Legal (“Legal”)

Responsible for defining SunTrust contract templates, advising on contracts as necessary, interpreting and answering questions concerning contract related issues, and assisting with interpretation of laws and regulations. Also advises on engagement of outsourced legal services providers.

SunTrust University (“STU”)

Responsible for working with the Consumer Banking supplier team to develop supplier-related training programs, materials and delivery capabilities.

3. Policy Elements

1-1. Framework

The Supplier Management Programs for Default Management (includes Loss Mitigation, Foreclosure and Bankruptcy) and Loan Servicing are structured as business-level programs within the scope of the broader Consumer Banking Supplier Management Program. (Business-level supplier programs are hereinafter referred to as “Business” or “Business Unit” programs.) The Business programs provide guidance for the evaluation, selection, engagement, performance monitoring, and controls assessment of suppliers to which foreclosure, loss mitigation, loan servicing and certain bankruptcy functions are outsourced.

In addition, the programs define the roles, responsibilities and training requirements of Default and Loan Servicing supplier managers; procedures for approving, engaging and terminating suppliers; oversight and monitoring standards; supplier risk classes and relevant due diligence and oversight requirements; control, audit and legal expectations; and other guidance as may be required to assure that suppliers are aware of and comply with SunTrust business standards and requirements as may be in effect at any given time, and to assure that suppliers are closely managed through the discipline of a comprehensive program for the protection of SunTrust and its clients.

1-2. Governance

The Consumer Banking Supplier Management Program and the Business Unit Programs are administered by the CB Risk Management team, which has responsibility for supplier management for the LOB. The Consumer Banking Chief Risk Officer delegates overall responsibility for the Consumer Banking Supplier Management Program to the CB Risk Administration Executive, who delegates program oversight to the CB Program Risk Officer. Responsibility for execution of the Business Programs rest with the Department Heads, who delegate day-to-day operations to the Supplier Manager Leads.

1-3. Authorities

The authority to engage third party providers is subject to the SunTrust Supply Chain Management Commitment Authority Matrix (available on the SunTrust Intranet), which generally limits approval authorities within a LOB or corporate function to a maximum contractual spend of [REDACTED]. Dollar amounts exceeding this level require approval by Supply Chain Management. Exceptions to the [REDACTED] commitment authority include technology and consulting services, which both require SCM approval at any commitment level, and legal services, which is subject to approval by STI Legal senior management for any dollar amount.

With respect to the Business Program, the Department Head shall have the authority to approve engagement of suppliers with a maximum dollar spend up to [REDACTED] during the contract term. The Department Supplier Manager Leads shall have the authority to approve engagement of suppliers with a maximum dollar spend up to [REDACTED] during the contract term. These authorities do not include technology and consulting services, which require SCM approval at any dollar commitment level.

Engagement of legal services firms is subject to the following authorities:

- Litigation – Requires approval of SunTrust Legal senior management.
- Foreclosure – Requires approval of Department Supplier Manager Lead up to maximum contractual spend of [REDACTED] contractual spend exceeding [REDACTED] requires approval of the Department Head and the concurrence of SunTrust Legal senior management.
- Bankruptcy – Requires approval of Department Supplier Manager Lead up to maximum contractual spend of [REDACTED] contractual spend exceeding [REDACTED] requires approval of the Department Head and the concurrence of SunTrust Legal senior management.
- Other – Requires approval of SunTrust Legal senior management.

Notwithstanding the approval authorities defined herein, all supplier contracts are required to be executed by SCM Sourcing on behalf of SunTrust. (Reference 3-6-1, Contracts.)

1-4. Due Diligence

Suppliers are subject to pre-engagement due diligence to confirm the provider has the expertise, capabilities and capacity to deliver to or on behalf of SunTrust the goods or services for which the supplier may be engaged. The intensity of the due diligence process will vary based on the Supplier Risk Class assigned. (See section 3-5, Supplier Risk Class.) That is, the greater the risk or criticality of the supplier's work product, the more intensive the due diligence process. For example, suppliers that represent SunTrust's interests in legal proceedings, such as foreclosure law firms, will be subject to a high level of due diligence both before engagement and during the terms of the contracts.

As appropriate to the nature of the supplier engagement, the due diligence process should address the supplier's qualifications, expertise, capacity, reputation, complaints, information security, document custody practices, business continuity, and financial stability. It also may consider the adequacy of the supplier's staffing levels, training programs, work quality and workload balance.

1-5. Supplier Risk Class

The Default Management and Loan Servicing business units engage suppliers to provide a wide variety of products or services that are necessary to communicate with clients, manage escrow accounts, collect loan payments, preserve collateral value, recover loan proceeds and minimize loss to the bank. However, as the nature of supplier work varies widely, so, too, does the degree of risk to SunTrust if the supplier fails to meet its service level commitments. For this reason, the Business Units are responsible for evaluating suppliers based on defined criteria and assigning suppliers to an appropriate risk class. The number of risk classes and the criteria used to evaluate suppliers for assignment to an appropriate risk class are unique to each Business Unit.

The Department Supplier Manager Lead is responsible for developing and implementing the supplier risk assessment process and Business Unit risk class structure. Documentation of the risk assessment process and risk class structure is recorded in Business Unit supplier management procedures.

Defined below is a generic four-class structure that illustrates the categorization of "functional" suppliers that are not otherwise classified by SCM as "Critical" or "Collaborative" suppliers. Each Business Unit will develop specific criteria for managing suppliers and document the criteria in the Unit's supplier procedures.

- **Risk Class 1** – Highest risk suppliers. Pre-engagement due diligence and performance management is most intense for this class. Risk classification is driven by factors that may include the critical nature of the goods or services provided, level of impact on SunTrust clients, SunTrust representation in legal actions, degree of influence on SunTrust's decision to foreclose or repossess, information or physical security risk, high transaction counts, or high dollar spend. Suppliers in this class may be subject to periodic performance audits by SunTrust personnel and/or SunTrust-engaged independent third parties.
- **Risk Class 2** – Moderate risk suppliers. Pre-engagement due diligence is moderately intense and includes many elements of Risk Class 1. Performance management also includes many of the requirements of Class 1 but typically calls for abbreviated performance reviews or longer intervals between reviews. Performance audits by SunTrust or SunTrust-engaged independent third parties are the exception, not the rule. Risk classification is driven by the same factors as in Risk Class 1, but the outcome of the risk assessment indicates a less critical or severe supplier relationship.
- **Risk Class 3** – Low risk suppliers. Pre-engagement due diligence and performance management for low risk suppliers is significantly reduced from that required for Risk Class 1 and Risk Class 2 suppliers. Suppliers rated "Low risk" typically have low dollar and/or low transaction volume contracts, have little or no direct interaction with bank clients, and rarely serve as a direct intermediary between SunTrust and other parties. Low risk suppliers pose little or no risk from an information or physical security standpoint.
- **Risk Class 4** – All other suppliers. Pre-engagement due diligence is typically limited to confirming that the supplier is licensed, bonded and insured (if required) to do business in the relevant state or other jurisdiction and has demonstrated the ability to provide the goods or services required within acceptable parameters. These may represent single event, low volume, or low dollar contracts, or they may be



suppliers that SunTrust has no option to utilize (e.g., Home Owners Associations, governmental taxing authorities, public utilities). Engagement and execution due diligence requirements are generally limited to confirming satisfactory completion of the contracted service(s) and approving final disbursement.

1-6. Risk Class Ratings Criteria

Each supplier is to be evaluated using the supplier risk class rating scorecard applicable to the Business Unit that includes both quantitative and qualitative attributes. The supplier manager is responsible for calculating the risk score and assigning the supplier to the appropriate risk class. Examples of attributes include:

- Supplier concentration risk – % of SunTrust work outsourced to supplier
- SunTrust concentration risk - % of supplier revenue represented by SunTrust work
- Number of loans/transactions/activities outsourced to supplier
- Maximum contractual spend
- Annual dollar spend
- Level of supplier data exposure
- Qualitative factors – e.g., reputation risk, isolated projects, unique business requirements, performance factors.

The Department Supplier Manager Lead is responsible for oversight of the supplier risk class rating process, providing rating guidance to supplier managers, and selective review of risk class assignments.

1-7. Risk Class Ratings Overrides

The Department Supplier Manager Lead is authorized to override risk class assignments by one level (i.e., raise or lower risk class by one level) with the exception of suppliers that score at the highest risk level. A judgmental decision to lower a supplier risk class rating from the highest risk class (Risk Class 1 in section 3-5 discussion) to any lower risk class requires the approval of the Department Head or the Consumer Banking Program Risk Officer. Any decision to raise or lower a risk class rating by two or more levels requires the approval of the Department Head and the Consumer Banking Program Risk Officer.

The Consumer Banking Program Risk Officer will have the final authority for risk class ratings and will arbitrate any disagreement over a supplier risk class assignment.

1-8. Documentation

SunTrust, through the Consumer Banking Supplier Management Program, is committed to only engaging suppliers for foreclosure, loss mitigation, bankruptcy and loan servicing functions that agree to comply with relevant federal, state and local laws and with applicable professional standards. This is accomplished by the use of standard SunTrust Master Service Agreements (“MSA”) and Statements of Work (“SOW”), collectively “Contracts”, and enforced through defined requirements for engagement oversight, monitoring and inspection.

1-9. Contracts

All suppliers subject to the Supplier Management Program (as defined in Section 1, Scope) are to be engaged through a properly executed contract that is satisfactory to SunTrust. Contracts must be written on the applicable SunTrust template or, with SunTrust Legal approval, on an alternate legally-enforceable document. SCM Sourcing is to be engaged to assure appropriate contractual commitment between SunTrust and the supplier and to execute the contract on behalf of SunTrust. Original contracts will be retained by Supply Chain Management.

All contracts must provide for adequate supplier oversight by SunTrust, including:

- Measures to enforce supplier contractual obligations; and
- Processes to ensure timely action with respect to supplier performance failures.



The complexity and risks associated with the foreclosure process call for additional contractual requirements. Default Management will partner with SunTrust Legal whenever law firms or other entities are engaged to represent the bank in foreclosure matters. SunTrust Legal will be responsible for assuring contracts contain verbiage consistent with regulatory guidance, including requirements that suppliers adhere to SunTrust foreclosure processing standards.

1-10. Document Custody

SunTrust will from time to time transfer original documents and/or other records to suppliers in order for the supplier to perform the contracted service. Suppliers will be contractually obligated to apply appropriate logical security and physical security controls to prevent unauthorized disclosure or destruction of SunTrust records in their care. Records will be subject to appropriate levels of control as defined by the Department Supplier Manager Leads and Enterprise Technology Risk Management. Further, SunTrust will specify end of contract record retention and destruction controls.

1-11. Document Accuracy

SunTrust will only engage suppliers for foreclosure, loss mitigation, bankruptcy and loan servicing functions that commit to the accuracy of all documents filed on behalf of SunTrust (or the owners of mortgages in the Servicing Portfolio) in any judicial or non-judicial foreclosure proceeding, related bankruptcy proceeding, or in other foreclosure related litigation. It is the responsibility of the Supplier Manager to engage the Supplier Manager Lead, SunTrust Legal and Supply Chain Management to assure the supplier contract contains the appropriate verbiage regarding document accuracy.

1-12. Controls and Oversight

Suppliers are subject to varying degrees of monitoring, review and oversight commensurate with the nature of the function and activities being performed on behalf of SunTrust. (Reference 3-5, Supplier Risk Class.) The Department Supplier Manager Lead is responsible for defining and implementing appropriate controls and oversight of suppliers engaged by the Department. Supplier management controls may include the following, without limitation: (i) written procedures for sourcing suppliers; (ii) requirement that contracts, master service agreements and/or SOWs be negotiated by SCM Sourcing and contain appropriate SLAs; (iii) assignment of a designated supplier manager to monitor performance and maintain communication with the supplier; (iv) formal and documented supplier performance reviews; and (v) desktop or on-site supplier audits.

1-13. Compliance with Legal, Regulatory and Other Guidance

Supplier contracts must contain verbiage that commits the supplier to comply with all local, state, and federal legal requirements, Federal Reserve regulatory guidance, and relevant SunTrust policies and procedures.

1-14. Periodic Reviews of Suppliers

The Department Supplier Manager Lead will establish an integrated risk-based process to evaluate supplier work product, performance against service level agreements, and compliance with legal requirements, regulatory guidance and SunTrust policies and procedures. The review scope, methodology and frequency will vary depending on the Business Unit and the risk class to which the supplier is assigned and may include use of performance scorecards. At the direction of the Department Supplier Manager Lead, periodic reviews may be performed by SunTrust personnel or qualified independent third parties, and may take place at the supplier's place of business, at a SunTrust location, or other appropriate location as determined by SunTrust. An independent third party engaged to perform reviews is subject to all supplier engagement requirements more fully described in this document and in separate policies and guidelines issued by SCM and ETRM.

1-15. Fee Structure

Fees paid to suppliers are to be reasonable and customary for the products or services provided and contractually binding. In accordance with regulatory guidance, fee structures for foreclosure firms must consider the accuracy, completeness and legal compliance of the foreclosure filings and cannot be based solely on increased foreclosure volume or meeting processing timelines.

1-16. Law Firm Certification Process

Law firms engaged to provide residential mortgage foreclosure and bankruptcy services for SunTrust must certify at the time of initial engagement and annually thereafter that attorneys handling SunTrust cases are licensed to practice in the relevant jurisdiction and have the experience and competency necessary to perform the services for which the firm is engaged. The Supplier Manager Lead is responsible for enlisting SCM Sourcing whenever a new legal services firm is engaged for foreclosure or bankruptcy services to ensure the legal services contract contains appropriate certification verbiage. The Department Supplier Manager Lead will collaborate with SunTrust Legal to develop and implement the annual law firm re-certification process and document the process in the Business Unit procedures.

1-17. Client Complaints

Consumer Banking business units will review and respond to client complaints about suppliers promptly upon receipt. Supplier-related complaints received through inbound call centers will be assigned to a client service representative who is responsible for researching the complaint and responding to the client. The client service representative will engage supervisory personnel and subject matter experts to assist with complaint resolution and client communication as necessary.

Escalated client complaints about suppliers are handled by the SunTrust Executive Services Office (“ESO”), Default Management Client Response Team (“CRT”), and SunTrust Mortgage First Aide.

- ESO centrally manages escalated client complaints about suppliers received from the Federal Reserve Bank, State and Federal officials, and SunTrust Mortgage Office of the President.
- CRT intakes, identifies, and aides in the resolution of all Default-related client complaints, including those involving suppliers.
- SunTrust Mortgage First Aide provides a centralized team for the resolution of mortgage servicing client complaints.

Complaints about suppliers received from clients who have been assigned to a Single Point of Contact (“SPC”) will be referred to the SPC for resolution of the complaint and communication with the client.

1-18. Enterprise Technology Risk Management Programs

1-19. Contingency and Business Continuity Planning

Consumer Banking business units are subject to corporate policy that requires the development, review, revision, testing, and implementation of contingency and business continuity plans. All Consumer Banking business units will establish and maintain business contingency and continuity plans according to SunTrust Enterprise Business Continuity policy, and the plans will include the identification of critical suppliers and actions to be taken in the event of temporary or permanent service disruptions of the critical suppliers. Administration of the business continuity program is the responsibility of the Enterprise Business Continuity and Information Assurance (“EBCIA”) unit within ETRM. Additionally, business units and functions are required to attest annually to the Business Continuity Operational Controls manual.

1-20. Information Security Program

Consumer Banking business units will adhere to the Corporate Information Security Program as outlined in the SunTrust Information Security Policy. The policy requires the appropriate risk assessment and application of security controls consistent with the risk. The Information Security policy specifies control requirements such as access management, logical security, physical security, and oversight of outsourced activities relevant to information assets. Additionally, business units and functions are required to attest annually to the Information Security Operational Controls manual. Administration of the Information Security program is the responsibility of ETRM.

1-21. Records and Information Management

Consumer Banking business units will adhere to the Corporate Records and Information Management Program as outlined in the SunTrust Enterprise Records and Information Management Policy. Under the program requirements, Consumer Banking is required to inventory and review documentation, and generate and follow a records retention schedule. This list is reviewed by Enterprise Records and Information Management (“ERIM”) in its governance role. The program also extends to outsourced records. ERIM is



responsible for the corporate records and information management program. In executing this authority, ERIM has promulgated SunTrust policy, standards, and procedures in management of SunTrust records and information. Additionally, business units and functions are required to attest annually to the Records Management Operational Controls manual.

1-22. Supplier Manager Training

Consumer Banking teammates who are assigned supplier management responsibilities will complete mandatory supplier management training when initially assigned to a supplier-related role and refresher training annually thereafter.

4. Points of Contact

For questions about the Consumer Supplier Management Program, contact the Consumer Banking Program Risk Officer or the Consumer Banking Risk Administration Executive.

5. Glossary

Collaborative Supplier (SCM)	Supplier typically provides a specific product or service within only one LOB or Function. Although the supplier is not heavily integrated across SunTrust, its level of integration within an LOB or Function could make it difficult to replace. (Co-managed by CB Business Unit and Supply Chain Management.)
Critical Supplier (SCM)	Supplier is operationally critical to the Corporation. The supplier is highly integrated into the business as it provides multiple products and services to multiple LOBs, Corporate Functions or business units, may have access to client data, and provides critical products or services to our organization. (Managed by Supply Chain Management.)
CRT	Client Response Team
EBCIA	Enterprise Business Continuity and Information Assurance
EBCM	Enterprise Business Continuity Management
EIS	Enterprise Information Services
ERIM	Enterprise Records and Information Management
ESO	Executive Services Office
ETRM	Enterprise Technology Risk Management
Functional Supplier (SCM)	Supplier provides standard commodity services or products. The supplier is considered relatively easy to replace with some lead time required. The supplier's level of integration is limited, often supporting a single LOB or Function. (Managed by
GSE	Government Sponsored Enterprise
█	█
LOB	Line of Business
MERS	Mortgage Electronic Registration System
MSA	Master Service Agreement
SOW	Statement of Work
SAS	SunTrust Audit Services
SCM	Supply Chain Management
SME	Subject Matter Expert
SMP	Supplier Management Program



6. References

The documentation listed below provides background information on corporate programs and policies that may impact, influence or inform the Consumer Banking Supplier Management Program. These documents are included for reference only and are not considered part of the Consumer Banking Supplier Management Program.

Attachment Reference	Artifact / Document
A	Procurement and Supplier Relationship Management Policy
B	Supplier Governance Policy
C	Supplier Relationship Management – Supplier Management Support Playbook
D	Information Security Policy
E	Business Continuity Policy
F	Enterprise Records and Information Management Policy
G	Corporate Security Policy

7.16 Risk Assessment Appendix D – Consumer Banking Supplier Management Program Procedures

Scope

The Consumer Banking (CB) Supplier Management Program for Foreclosure, Loss Mitigation and Loan Servicing establishes oversight and management requirements for suppliers (can also be referred to as “third-party providers” or “vendors”) that are engaged in business activities on behalf of SunTrust Mortgage. The Supplier Management Program is designed to establish measures to ensure that third-party providers comply with legal requirements, comply with supervisory requirements of the Board of Governors, are qualified to represent SunTrust in the actions for which they are engaged, safeguard SunTrust information, protect client privacy, and adhere to relevant SunTrust policies and procedures.

This program document outlines the procedures for managing the end to end lifecycle of a supplier relationship that begins with the decision to outsource a process/service or purchase a product through engagement of the third-party provider; followed by the ongoing monitoring of service delivery and performance management activities; and finally, the disengagement of the third-party provider and termination of the relationship. This document describes the responsibilities of supplier managers as well as corporate partners throughout the supplier management lifecycle. These end to end procedures are followed for supplier engagements, though special circumstances may require exceptions and/or alterations to the process.

Roles and Responsibilities

Consumer Banking Department Supplier Manager Lead is responsible for coordinating the supplier management program within a Consumer Banking department, including assigning supplier manager responsibilities to appropriate teammates, and engaging Supply Chain Management, Enterprise Technology Risk Management, and SunTrust Legal as appropriate. Also responsible for documenting operating procedures, establishing controls and checkpoints to assure program requirements are met, overseeing supplier due diligence work, monitoring supplier performance against contractual terms and/or service level agreements (“SLAs”), and assisting with supplier engagement and termination actions.

Supplier Manager is responsible for serving as the relationship manager with specific suppliers and for coordinating with CB Department Supplier Manager Lead the adherence to specific SCM programs designed to manage and measure performance of specific suppliers. The supplier manager performs required pre-engagement due diligence, monitors supplier performance, and manages the relationship for one or more suppliers to which Foreclosure, Loss Mitigation, Bankruptcy or Loan Servicing functions are outsourced.

Supply Chain Management (“SCM”) is the organization that comprises the sourcing, fulfillment, operations, supplier relationship management and global outsourcing divisions reporting to the SunTrust Chief Procurement Officer. Responsible for providing structure and support to the multiple programs and initiatives that comprise the overall procurement and supply base management programs, all for the purpose of delivering a sustainable, competitive value to SunTrust through the appropriate sourcing of goods and and/or services used in the company’s operations. Manages or co-manages selected third party providers that are classified as “critical” or “collaborative” based on SCM supplier models.

Enterprise Technology Risk Management (“ETRM”) resides within Enterprise Information Services (EIS) and is the corporate governing authority for the Information Security, Business Continuity, Records and Information Management, Physical Security, Fraud Prevention, and Digital Channel Compliance programs. Aspects of these programs control relevant supplier relationships and outsourced processes detailed herein.

SunTrust University (“STU”) is responsible for working with Consumer Banking supplier team to develop supplier-related training programs, materials and delivery capabilities.

SunTrust Legal (“Legal”) is responsible for defining SunTrust contract templates, advising on contracts as necessary, interpreting and answering questions concerning contract related issues, and assisting with interpretation of laws and regulations. Also advises on engagement of outsourced legal services providers.

Applicable Policies

Consumer Banking Line of Business:

- Consumer Banking Supplier Management Program

Supply Chain Management (SCM):

- Supply Chain Management – Procurement and Supplier Relationship Management Policy as of 6/1/09
- Supply Chain Management – Supplier Governance Policy as of 6/15/11

Enterprise Information Services (EIS):

- Enterprise Information Services – Information Security Policy as of 5/15/11

Enterprise Technology Risk Management (ETRM):

- ETRM Corporate Security – Corporate Security Policy as of 3/16/11
- Enterprise Business Continuity Management – Business Continuity Policy as of 3/16/11
- Enterprise Records and Information Management Policy as of 2/23/11

Governance Structure

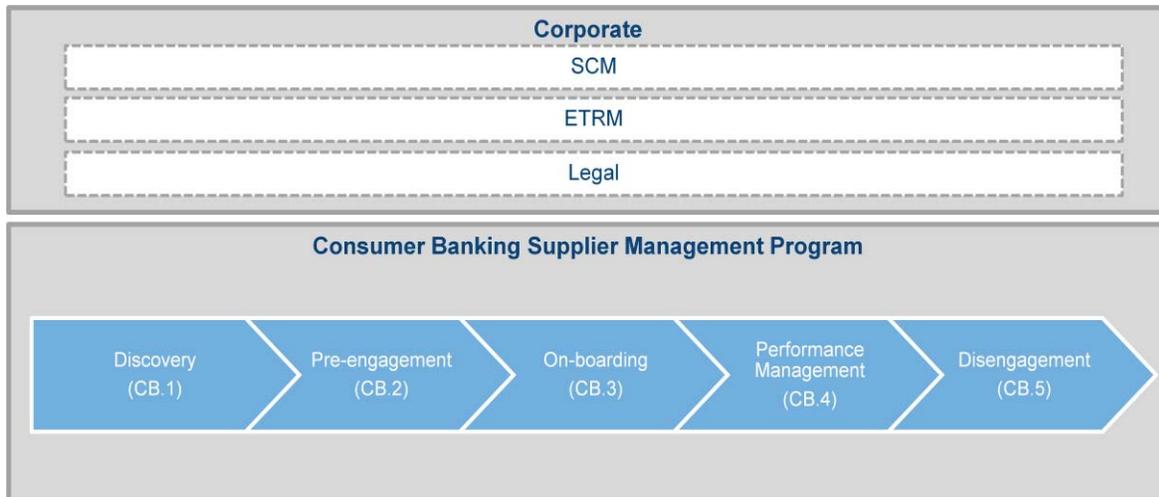


Figure 1: Consumer Banking Supplier Management Governance Structure



- The Consumer Banking Supplier Management program is governed by existing corporate policies, standards, and guidelines within SCM, ETRM, and Legal.
- The Consumer Banking Supplier Management Lifecycle process consists of five processes: Discovery, Pre-Engagement, On-boarding, Performance Management and Disengagement.
- The Consumer Banking Supplier Management Lifecycle is the process by which suppliers and the services and goods they provide are managed within Consumer Banking.

Glossary

Term	Definition
Acknowledgement Partner	Specialized teams within SunTrust that may be notified or provide input throughout the process
AWARE	Security awareness training for suppliers accessing SunTrust data
BRIA	Business Risk Impact Analysis
CB	Consumer Banking
Contract	Legal agreement which can be executed as any of the following: master service agreement (“MSA”), servicing agreement, software licensing agreement, consulting services agreement, attorney services agreement, outsourcing agreement, and statement of work (“SOW”)
EBCM	Enterprise Business Continuity Management
EIS	Enterprise Information Services
ETRM	Enterprise Technology Risk Management
ISO	Information Security Officer
LOB	Line of Business
MIS	Management Information System
MSA	Master Service Agreement
ORM	Operational Risk Management
SAS	SunTrust Audit Services
SCM	Supply Chain Management
SFO	Strategic Financial Officer and Strategic Financial Organization
SLA	Service Level Agreement
SOW	Statement of Work
SRM	Supplier Relationship Management
STU	SunTrust University
Supplier	Term used to describe a vendor, third-party provider, third party, and contractor within Consumer Banking

Governance Procedures

The procedures detailed below are applicable to the Consumer Banking Supplier Management Program. The Consumer Banking Supplier Management Program and associated procedures comply with all relevant laws and regulations and with SunTrust policies and procedures, including (without limitation) policies that address customer privacy, information security, document custody, and business continuity.

Within the context of this procedures document, the terms “Business Unit” and “Department” refer to groups within the Consumer Banking Line of Business (“LOB”). The activities in these processes are primarily performed by the Department Supplier Management Team, with supporting activities performed by certain corporate partners. Below are definitions of the key roles within these procedures:

- Business Unit – a group within a department (e.g., Foreclosure within Default Management)
- Department Supplier Management Team – the supplier management team for that department (e.g., Default Management Supplier Management Team)
- Supply Chain Management (“SCM”) – the corporate supply chain management function
 - Sourcing – the corporate supply chain management function that focuses on supplier sourcing and contract execution
 - Supplier Relationship Management (“SRM”) – the corporate supply chain management function that focuses on supplier performance management
- Enterprise Technology Risk Management (“ETRM”) – the corporate governing authority for the information security, business continuity, records and information management, physical security, fraud prevention, and digital channel compliance programs
- SunTrust Legal – the corporate legal function
- Acknowledgement Partners – other specialized teams within SunTrust that may be notified or provide input throughout the process; these include, without limitation:
 - Enterprise Business Continuity Management (“EBCM”) within ETRM
 - Information Security Officer (“ISO”) within ETRM
 - Consumer Banking Operational Risk Management (“CB ORM”) and Compliance
 - Strategic Finance Organization (“SFO”) / Controller
 - SunTrust Audit Services (“SAS”)
 - SunTrust University (“STU”)
 - Other Consumer Banking Supplier Management Teams
 - Other Consumer Banking Business Areas

6.1 Discovery

Discovery (see Figure 2, CB.1) is the process by which supplier goods and services needs for Consumer Banking are identified and confirmed, and the supplier selection process is initiated. The Consumer Banking Discovery process is owned by the Department Supplier Management Team.

The Consumer Banking Discovery process begins when a need for a supplier service is identified by the Business Unit. The Business Unit provides the request to the Department Supplier Management Team for analysis and approval. If the business need is approved, the Department Supplier Management Team engages SCM and ETRM, and may engage Legal for assistance in supplier assessment. The Business Unit and Department Supplier Management Team provide input to SCM for supplier selection.

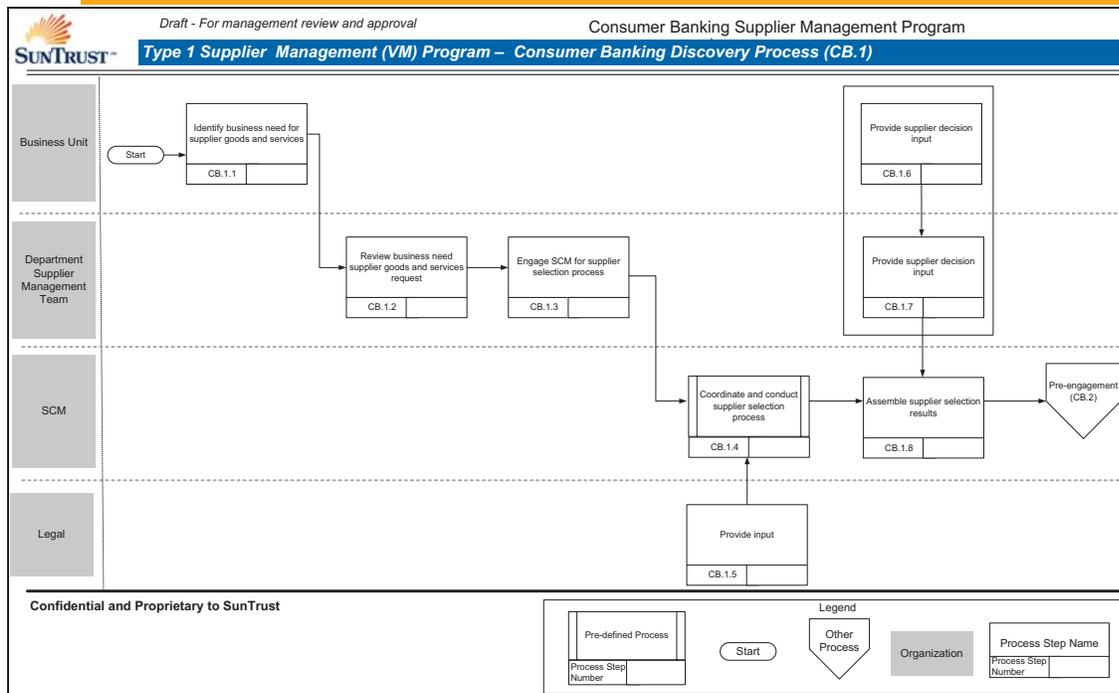


Figure 2: Consumer Banking Discovery Process (CB.1)

Step CB.1.1 – Identify Business Need for Supplier Goods and Services

Owner: Business Unit

- The Business Unit identifies a need to engage a supplier for certain goods and services.
 - The Business Unit provides a business justification with supporting data/documentation for their need which may include a list of potential suppliers.
- The Business Unit sends a request with the business justification and supporting data/documentation to the Department Supplier Management Team.

Step CB.1.2 – Review Business Need Supplier Goods and Services Request

Owner: Department Supplier Management Team

- The Department Supplier Management Team reviews request and business justification with supporting data/documentation. Considerations during the initial request review may include:
 - Is there a supplier already providing this service at SunTrust?
 - Are there other suppliers we should consider?
 - Is funding available?
 - Is the service critical?

- Could the service be developed in house?

Step CB.1.3 – Engage SCM for Supplier Selection Process

Owner: Department Supplier Management Team

- The Department Supplier Management Team engages Sourcing.
 - Depending on the spend level, the Department Supplier Management Team may need to obtain the approval from the Line of Business Strategic Finance Officer.

Step CB.1.4 – Coordinate and Conduct Supplier Selection Process

Owner: SCM

- Sourcing provides decisions on supplier selection and award as governed by the Procurement and Supplier Relationship Management Policy through the Sourcing process that includes:
 - Input by ETRM, Legal, Corporate Operational Risk Management and EIS Technology as needed
 - Functional requirements from business owners
 - Industry market data analysis
 - Negotiations on pricing, business, and legal terms

Step CB.1.5 – Provide Input

Owner: Legal

- Legal provides input on content for the supplier selection process based on the type of supplier and department.

Step CB.1.6 & 1.7 – Provide Supplier Decision Input

Owner: Business Unit and Department Supplier Management Team

- The Business Unit and Department Supplier Management Team provide input on supplier selection decision as SCM is evaluating potential service providers.

Step CB.1.8 – Assemble Supplier Selection Results

Owner: SCM

- Sourcing assembles the supplier selection results, selects the preferred supplier, and coordinates the decision with the Business Unit and the Department Supplier Management Team.

6. 2 Pre-Engagement

The Pre-Engagement process (see Figure 3, CB.2) for Consumer Banking begins once a target supplier has been identified. The Department Supplier Management Team owns the pre-engagement process with varied levels of involvement from key corporate and acknowledgement partners.

Operational, contractual, and legal due diligence are performed during the Pre-Engagement process using predefined checklists and procedures. The appropriate level of due diligence is performed; the supplier is officially selected; and contract negotiations occur. Once the contract is signed, the Pre-Engagement process concludes and the On-Boarding process begins.

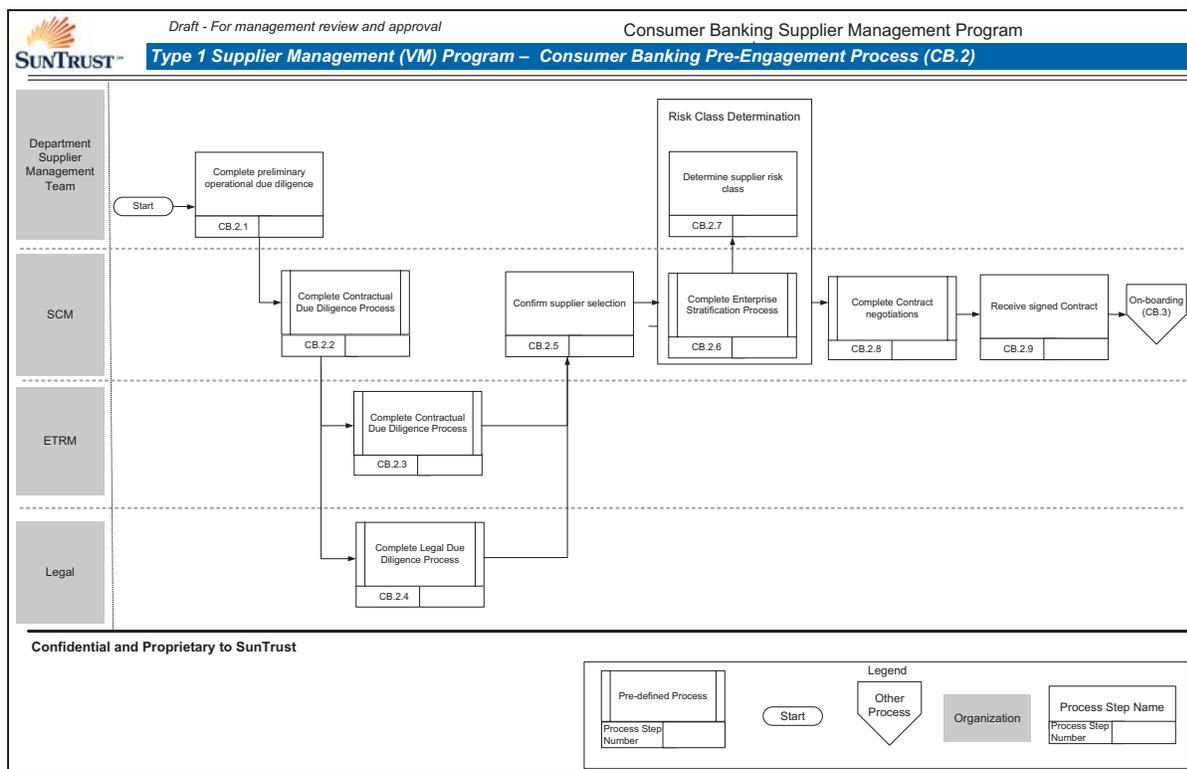


Figure 3: Consumer Banking Pre-Engagement Process (CB.2)

Step CB.2.1 – Complete Preliminary Operational Due Diligence

Owner: Department Supplier Management Team

- The Department Supplier Management Team performs preliminary operational due diligence to assess the ability of the supplier to fulfill the contract. Areas evaluated include:
 - Supplier qualifications, expertise and training
 - Supplier capacity, staffing and workload levels
 - Reputation

- Document custody practices
- The Department Supplier Management Team determines if a site visit is required and conducts the visit.
- Acknowledgement Partners are notified of the intention to pursue the supplier and may be asked to assist in operational due diligence.
- If operational due diligence is complete and the supplier is found to satisfy all requirements, the process moves to contractual due diligence. If the supplier is not satisfactory, then the Department Supplier Management Team repeats the Discovery process (CB.1).

Step CB.2.2 & CB.2.3 – Complete Contractual Due Diligence Process

Owner: SCM and ETRM

- Sourcing engages ETRM and Legal to complete standard enterprise level technology risk assessments including but not limited to determining a Business Risk Impact Analysis (“BRIA”) score and performing information security analysis.
- Additional activities may include:
 - Determining contract terms and expected spend
 - Supplier’s insurance coverage
 - Financial viability assessment

Step CB.2.4 – Complete Legal Due Diligence Process

Owner: Legal

- Legal may perform a high level legal risk analysis based on the type of service the supplier is providing. Possible concerns to be analyzed include:
 - Potential legal liability to SunTrust
 - Existing litigation
 - Customer complaint and regulatory activity

Step CB.2.5 – Confirm Supplier Selection

Owner: SCM

- Sourcing gathers all relevant due diligence findings from partners; if the supplier is satisfactory, Sourcing confirms the supplier engagement.
- Sourcing notifies Department Supplier Management Team and Business Unit of the supplier selection.

Step CB.2.6 – Complete Enterprise Stratification Process

Owner: SCM

- SCM applies a pre-defined ranking process with criteria to stratify suppliers as detailed in the Supplier Relationship Management (“SRM”) Playbook (see Figure 4).

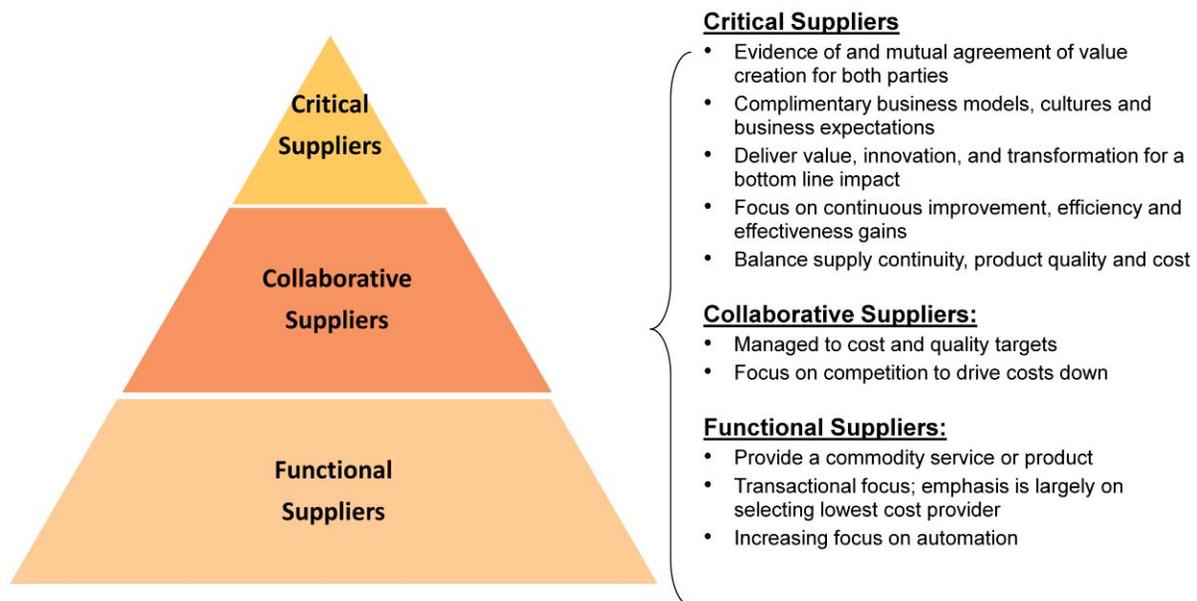


Figure 4: SunTrust Supplier Tiers (Excerpt from SRM Playbook)

Step CB.2.7 – Determine Supplier Risk Class

Owner: Department Supplier Management Team

All Suppliers (except attorneys):

- The Department Supplier Management Team contacts SRM to perform SCM’s Enterprise Stratification Process.
- If the supplier meets SRM’s requirements for a Critical or Collaborative Supplier, the supplier is managed at the SCM level and the Department Supplier Management Team acts as a service manager. In this scenario, SCM’s process takes precedence over the Consumer Banking Supplier Management process.
- If the supplier does not meet SRM’s requirements for a Critical or Collaborative Supplier, the process returns to the Department Supplier Management Team to determine the appropriate supplier risk class based on predefined criteria such as:
 - SunTrust’s expected contract spend with the supplier
 - Expected case volume in units (e.g., clients)
 - Estimated concentration of pipeline
 - Estimated concentration of geography
 - Number of other suppliers that supply the same service

- Percentage of supplier revenue from SunTrust
- Percentage of supplier revenue from a single client
- The Department Supplier Management Team also considers qualitative review factors based on considerations such as:
 - New suppliers may be placed in an elevated supplier risk class for the first year.
 - Supplier performance from the previous year may be taken into consideration for supplier risk class re-evaluation once a year's worth of performance data is available.
 - Line of business input may drive a supplier risk class change.
 - Market risk, supplier risk, and/or client special situations may factor into supplier risk class ranking and may drive risk class change.
- Once the supplier is assigned to a supplier risk class, the Department Supplier Management Team moves the supplier into the contract process.

Attorney Suppliers Only:

- If the supplier is an attorney, the Department Supplier Management Team determines the appropriate supplier risk class based on predefined criteria such as:
 - SunTrust's expected contract spend with the supplier
 - Expected case volume in units (e.g., clients)
 - Estimated concentration of pipeline
 - Estimated concentration of geography
 - Number of other suppliers that supply the same service
 - Percentage of supplier revenue from SunTrust
 - Percentage of supplier revenue from a single client
- The Department Supplier Management Team also considers qualitative review factors based on considerations such as:
 - New attorneys may be placed in an elevated supplier risk class for the first year if expected volume of loans to be serviced is greater than 100.
 - Supplier performance from the previous year may be taken into consideration for supplier risk class re-evaluation once a year's worth of performance data is available.
 - Line of business input may drive a supplier risk class change.
 - Collateral attorneys may be ranked no lower than a supplier risk class 2 if expected volume of units to be serviced is greater than 100.
 - Market risk, supplier risk, and/or client special situations may factor into supplier risk class ranking and may drive a risk class change.
- Once the supplier is assigned to a supplier risk class, the Department Supplier Management Team moves into the contract process.

Step CB.2.8 – Complete Contract Negotiations

Owner: SCM

- The Department Supplier Management Team determines if there is an existing contract with the supplier. If so, the Department Supplier Management Team engages Sourcing to create/negotiate a new SOW. If there is no existing contract, the Department Supplier Management Team engages Sourcing to create/negotiate a new contract and SOW.
- Sourcing drafts the contract, engaging corporate partners as needed for input, and sends the contract to the supplier.
- SOWs may include information on items such as performance measurement, Service Level Agreements (SLAs), types and frequency of information transfers, and throughput expectations.
- The supplier will either accept the contract as drafted, or negotiate the terms of the contract with Sourcing.
- If the supplier proposes changes to the drafted contract, Sourcing will engage Legal and ETRM (as needed) to review the changes before SunTrust agrees to or rejects the changes proposed by the supplier.

Step CB.2.9 – Receive Signed Contract

Owner: SCM

- Sourcing receives the signed contract from the supplier.
- Sourcing retains the original contract in its central repository and sends a copy to the Department Supplier Management Team.

6. 3 On-Boarding

The On-Boarding process (see Figure 5, CB.3) begins once the Pre-Engagement process is complete. The On-Boarding process consists of the logistics and activities that need to be completed in order for the supplier to deliver their service to SunTrust.

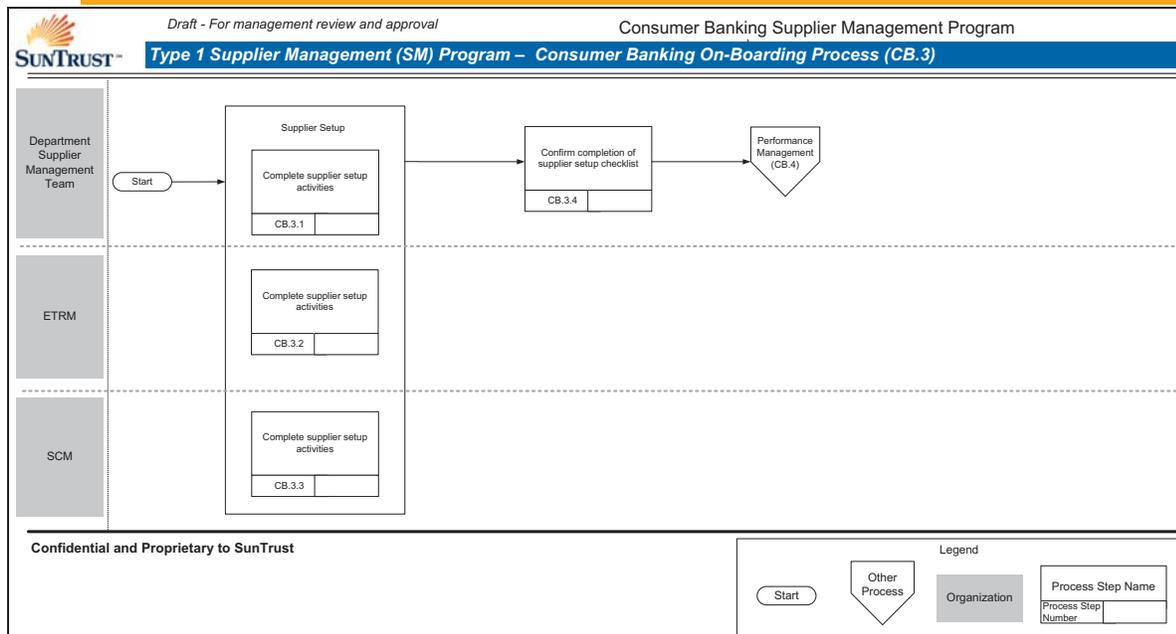


Figure 5: Consumer Banking On-Boarding Process (CB.3)

Step CB.3.1 – 3.3 – Complete Supplier Setup Activities

Owner: Department Supplier Management Team, ETRM and SCM

- The Department Supplier Management Team completes or coordinates the necessary new supplier setup activities. These activities typically include the following:
 - Assign CB Supplier Manager
 - Provide materials and key information to the supplier
 - Establish access rights for the supplier, if applicable:
 - Physical building access
 - Systems access
 - Document access
 - Execute training for the supplier, if applicable
 - Organize initial kick off meeting(s) with supplier and applicable SunTrust partners
- ETRM supplier setup activities may include the coordination of any system or technology access required for the supplier to deliver service, which includes the requirement that suppliers who access SunTrust data must satisfactorily complete the SunTrust security awareness training (AWARE).
- SCM supplier setup activities may include gathering/updating supplier information and inputting into the SCM Management Information System (“MIS”).

Step CB.3.4 – Confirm Completion of Supplier Setup Checklist

Owner: *Department Supplier Management Team*

- The Department Supplier Management Team completes the new supplier set-up checklist to confirm that all applicable activities have been completed, including any activities required by corporate partners.

6. 4 Performance Management

With the On-Boarding process complete, the Department Supplier Management Team and the Business Unit begin the Consumer Banking Performance Management process (see Figure 6, CB.4). The purpose of this process is to provide a plan for continual monitoring of suppliers to ensure acceptable supplier service, performance, and compliance. Scorecards, site visits, audits and/or other performance management methods are used in the process.

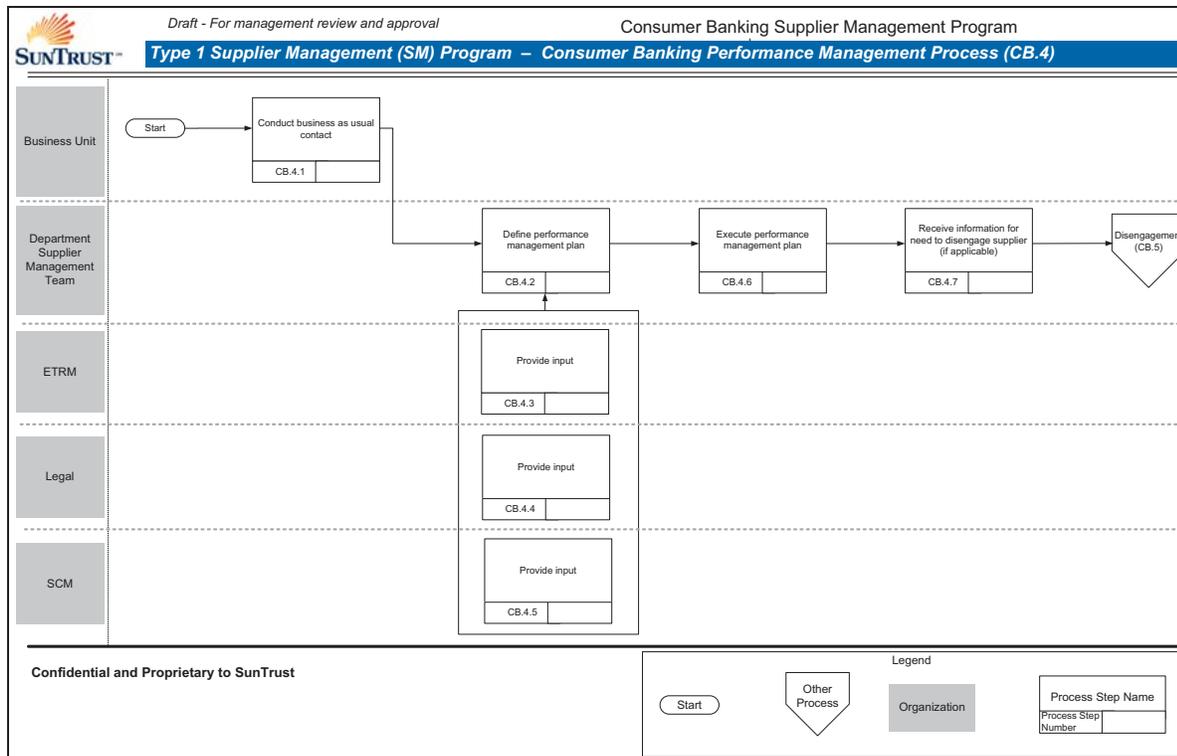


Figure 6: Consumer Banking Performance Management Process (CB.4)

Step CB.4.1 – Conduct Business-As-Usual Contact

Owner: Business Unit

- The Business Unit participates in the Performance Management process through routine business-as-usual communication channels with the supplier (e.g., phone calls, emails, site visits).

Step CB.4.2 – Define Performance Management Plan

Owner: Department Supplier Management Team

- The Department Supplier Management Team builds the required performance management plan based on supplier criteria. The performance management plan is aligned to the supplier risk class of the supplier, and may include:
 - Performance scorecards based on supplier risk class
 - Tracking or communication requirements based on supplier type and Department Management specifications
- The performance management plan consists of three main components:
 1. Cycle and non-cycle cadence
 2. Annual report card cadence
 3. Invoice and payment approval cadence
- The Department Supplier Management Team begins the setup process by identifying partners relevant for the specific supplier to be monitored.
- The Department Supplier Management Team confirms the specific requirements and relevant metrics of performance management (with applicable partners, if necessary.) Example components include:
 - Touchpoints and defined plan around touchpoints
 - Face-to-face as well as telephone calls (not audits)
 - Site visits
 - Audits, reviews and exams
 - Site Visits
 - For general purposes or audit review
 - To analyze building physical security
 - To analyze treatment of confidential information and desktop procedures
 - Desktop Reviews (no visit)
 - Based on supplier-provided information
 - Insurance certification
 - Proof of procedures
 - Third Party Independent Audits
 - Testing
 - Compliance with relevant policies and procedures
 - Accuracy and quality of goods and services
 - Timeliness of delivery of goods and services

- Performance Reporting
 - Quantitative metrics
 - Units produced
 - Timeframes
 - Qualitative factors
- Supplier workforce
 - Span of control
 - Units per employee
 - Breadth of responsibility
 - Training and competency validation
 - Employee turnover
 - Tenure
 - On-boarding training quality
 - New hiring background check (e.g., fingerprinting, credit checks)
- The Department Supplier Management Team meets with the supplier to review and understand the performance measurement plan and data submission requirements.
- The Department Supplier Management Team shares performance metrics, expectations, and specifics with the supplier.

Step CB.4.3 – 4.5 – Provide Input

Owner: ETRM, Legal, and SCM

- Partners may be contacted to provide input relevant to the performance management process during the performance management plan definition.

Step CB.4.6 – Execute Performance Management Plan

Owner: Department Supplier Management Team

Cycle and Non Cycle Cadence Sub-Process:

- Partners, host-systems, and suppliers provide data as required.
- The Department Supplier Management Team gathers scorecard data (e.g., metrics, specifics).
- The Department Supplier Management Team populates the scorecard with raw data, analyzes the data, and populates the scorecard with commentary on supplier performance. The Department Supplier Management Team publishes the scorecard for partners and the supplier to review, and also sets up a scorecard review session.
- Partners and suppliers review the scorecard before the review session.
- The Department Supplier Management Team conducts the review session which may include operational performance measurement, contract details, and other components; the session may include the definition of a corrective action plan to remediate any deficiency.
- The Department Supplier Management Team communicates the corrective action plan to SunTrust business partners, if applicable.



Annual Report Card Cadence Sub-Process:

- If the supplier is to be audited on a yearly basis, the Annual Report Card Cadence process will be followed. If the supplier risk class does not require an annual audit, the Annual Report Card Cadence process is not applicable.
- If the supplier is subject to an annual audit, the Department Supplier Management Team begins the report card process at a predetermined time once a year.
- The Department Supplier Management Team composes a “first day letter” which is sent to the supplier requesting data and explaining the audit.
- Upon receipt of the first day letter, the supplier compiles and sends the required data/documentation to the Department Supplier Management Team within the defined timeframe.
- The Department Supplier Management Team conducts a desk review of the first day letter and associated documentation. The team also determines if a site visit is required.
 - If a site visit is not required, the Department Supplier Management Team analyzes the results from the desk review and publishes the review and data to appropriate SunTrust business partners.
 - If a site visit is required, the Department Supplier Management Team and any appropriate SunTrust business partners conduct the site visit and gather applicable information.
 - The Department Supplier Management Team analyzes the results from the site visit and the desk review and publishes the review and data to appropriate SunTrust business partners.
- The Department Supplier Management Team develops the annual report card with review from applicable SunTrust business partners.
- The Department Supplier Management Team publishes the annual report card.
- The Department Supplier Management Team conducts an annual report card review with the supplier and discusses a remediation plan as necessary.
- The Department Supplier Management Team communicates the remediation plan to SunTrust business partners, if applicable.

Department Invoice and Payment Approval Sub-Process:

- The Business Unit receives and reviews the supplier invoice and compares the invoice to the services and goods provided with respect to the SOW.
- If the invoice and SOW are aligned, the Business Unit approves the invoice for payment.
- If the invoice and SOW are not aligned, the Business Unit notifies the Department Supplier Management Team to resolve the issue.

Step CB.4.7 – Receive Information for Need to Disengage Supplier (If Applicable)

Owner: Business Unit and Department Supplier Management Team

- The Department Supplier Management Team or the Business Unit may decide to disengage the supplier.
- Supplier may communicate desire to disengage SunTrust.

- SunTrust business partners may advise supplier disengagement due to poor performance or non-compliance with policies, procedures, and standards.
- Upon decision to disengage, the Disengagement process begins.

6. 5 Disengagement

Once the need for supplier disengagement is identified and confirmed, the Disengagement process begins (see Figure 7, CB.5). Disengagement may be due to supplier performance issues, change in need for goods and services, supplier business interruption, selection of an alternate supplier, supplier option to disengage, and many other scenarios. A series of steps are followed and monitored by the Department Supplier Management Team to ensure all necessary actions are completed for disengagement (e.g., access removed, documents retrieved, etc.)

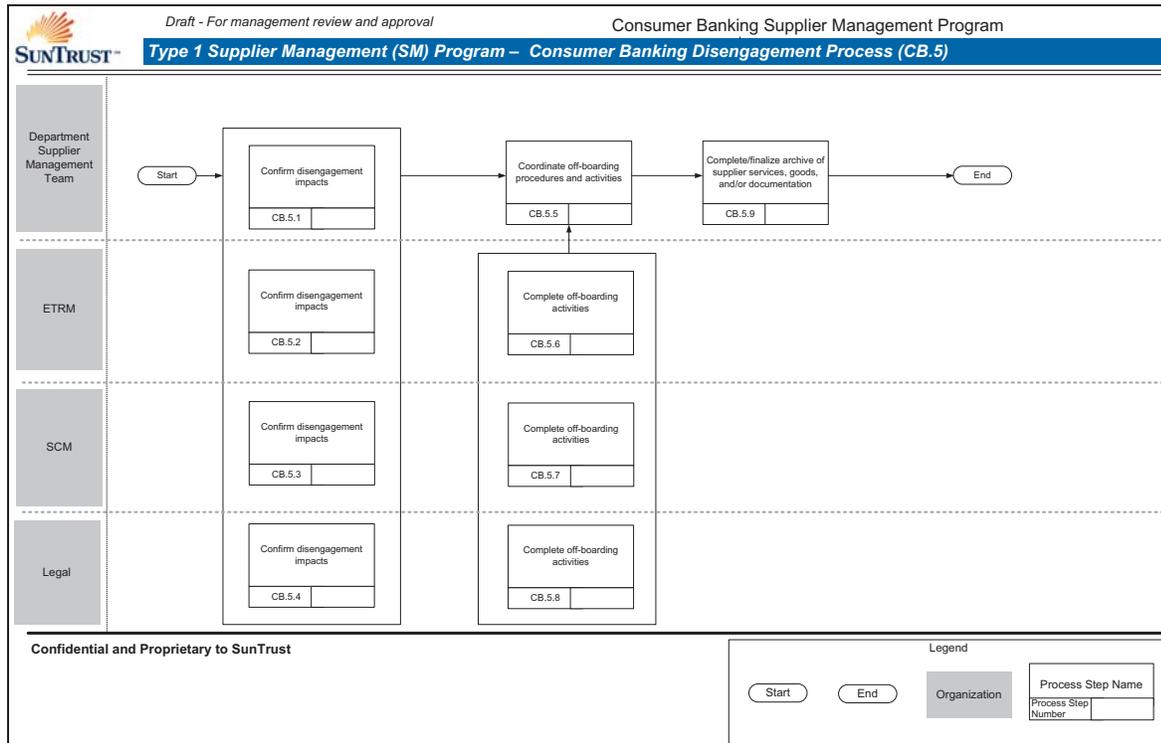


Figure 7: Consumer Banking Disengagement Process (CB.5)

Step CB.5.1 – 5.4 – Confirm Disengagement Impacts

Owner: Department Supplier Management Team, SCM, ETRM and Legal

- The Department Supplier Management Team confirms with SCM, ETRM and Legal the intent to disengage the supplier and evaluates the potential impact to the business and other SunTrust groups. Considerations may include the following:

- Is a replacement supplier needed? If so, begin the Discovery process (CB.1).
- Is the supplier engaged elsewhere in SunTrust? If so, engage SCM to determine effect of disengagement by Consumer Banking.
- Partners provide input as needed.
- Legal may be engaged to review the contract for any applicable early termination provisions, considerations, etc.
- Legal may be engaged to generate the notice of disengagement, if required under the contract.

Step CB.5.5 – Coordinate Off-boarding Procedures and Activities

Owner: *Department Supplier Management Team*

- The Department Supplier Management Team coordinates off-boarding procedures and activities with partners following a pre-defined checklist. Example considerations include the following:
 - Retrieve any SunTrust equipment
 - Terminate security access
 - Refer, transfer or retrieve SunTrust documentation (e.g., physical files, electronic files, etc.)
 - Complete disengagement form to confirm reason for disengagement
 - Confirm eligibility to rehire
- The Department Supplier Management Team communicates the supplier required off-boarding procedures to the Business Unit. The Business Unit works with the supplier and the Department Supplier Management Team to ensure the supplier complies with all necessary off-boarding activities.
- The Department Supplier Management Team confirms that all off-boarding checklist activities are complete.

Step CB.5.6 – 5.8 – Complete Off-boarding Activities

Owner: *ETRM, SCM, and Legal*

- ETRM completes any necessary off-boarding activities such as security access revocation.
- SCM completes any necessary off-boarding activities such as updating the SCM MIS to reflect disengagement.
- Legal completes any necessary off-boarding activities such as contractual compliance of service termination.



Step CB.5.9 – Complete/Finalize Archive of Supplier Services, Goods, and/or Documentation

Owner: *Department Supplier Management Team*

- The Department Supplier Management Team ensures that all off-boarding activities and checklists are completed.
- Department Supplier Management Team creates an archive of the off-boarding documents and archives any applicable supplier documents or SunTrust documents received from the supplier.
- The Consumer Banking Supplier Management program is subject to ETRM's policies and procedures for document custody and destruction requirements.

Exceptions

The procedures and process flows described in this document are sequenced to address normal and expected operational processes. Exception conditions may occur from time to time that require executing these procedures in a modified sequence. The CB Department Supplier Manager is responsible for approving any change to standard operating procedures to address exception conditions or events.

References and Related Documents

Supplier Relationship Management – Supplier Management Support Playbook

Points of Contact

For questions about these procedures, contact:

██████████ Consumer Banking Risk Administration Executive – Consumer Banking Risk, ██████████
██████████

██████████ Consumer Banking Program Risk Officer – Consumer Banking Risk, ██████████
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